الاتحاد العقارية
Union Properties

Annual Report
التقرير السنوي

2023

الاتحاد العقـــارية
Union Properties

Public Joint Stock Company and Its Subsidiaries

Consolidated Financial Statements

31 December 2023

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated financial statements

31 December 2023

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Directors' report

The Directors have the pleasure of presenting their report together with the audited consolidated financial statements of Union Properties Public Joint Stock Company (the "Company") and its subsidiaries ("the Group") for the year ended 31 December 2023. The Directors confirm their responsibility for the preparation of the consolidated financial statements of the Group.

To the best of our knowledge, the financial information included in the report fairly present in all material aspects the financial condition, results of operations and cash flows of the Group as of 31 December 2023

Financial results

The Group revenue for 2023 reached to AED 508 million *(2022: AED 419.2 million)*, gain on valuation of properties amounted to AED 506 million *(2022: gain of AED 26 million)* resulting in a total profit of AED 838 million *(2022: gain of 30 million)*, and total comprehensive income amounted to AED 838 million *(2022:* total comprehensive gain *of AED 30 million)*.

In accordance with the UAE Federal Law No.32 of 2021, the Company transferred 5% of the Company profit to the Statutory Reserve amounting to AED 42 million *(2022: AED 3 million)*.

Financial performance review

Union Properties PJSC ("Union Properties" or "the Company") (DFM symbol: UPP) achieved a net profit of AED 838 million in 2023 which marks an annual growth of 60% in operating profits and 2694% growth in net profits. The Company's subsidiaries also posted impressive performance, which steered its revenue from contracts with customers to AED 508 million, up from AED 419 million in 2022.

This achievement underscores the exceptional performance of Union Properties and its subsidiaries in achieving sustainable growth amidst market dynamics. The performance reflects a notable shift compared to 2022 with "the Company" registering a net profit of AED 838 million in 2023. It is attributed to several key factors, including the efficiency of Union Properties' approach in enhancing its market position and a marked increase in real estate demand.

The Company's success is also credited to the wise management of its diverse business group, dedication to innovative and sustainable development strategies, a focus on operational efficiency, and a commitment to steering the business in alignment with evolving investor and real estate occupant.

In 2021, the company was unfortunately confronted with fraud, misconduct, breach of trust, forgery, misappropriation of funds and several other financial violations perpetrated by the previous management of the Company.

Due to the extent of such violations, the newly appointed Board members conducted a thorough financial and accounting review and appointed forensic expert to review the major suspicious transactions.

From December 2021 onwards, an emergency business restructuring program has been created and being implemented by the Managing Director and Executive Committee which significantly changed some of the entity's business models, management team, to address the challenges and increase value for shareholders

Since then, the Group has emphasized its plans on:

- Growth – drive growth to achieve scale efficiencies, improve competitive positioning and increase shareholder value
- Financial performance – improve financial performance of business units to be ahead of sector benchmarks
- Cost efficiency – reducing cost and raising efficiency in operations
- Collection of outstanding receivables

Fiscal discipline has been the primary focus in 2023, which, together with growing annual revenues, allowed the Group to improve financial performance to deliver positive EBITDA. Primary focus was kept stemming the decline in profitability and transforming the Company into an organization that is able to generate sufficient profit and free cash flow on a sustainable basis, a path to ensure stable performance and solid shareholder returns.

Union Properties transformation program consists of three pillars: governance transformation, organizational transformation, and business transformation.

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis.

As of 31st December 2023, the Group's current accumulated losses reached an amount of AED 2,105 million from an issued capital of AED 4,290 million hence reaching 49.1% of its issued share capital.

Conclusion

The Directors' assessment has been made with reference to the Group's current position and prospects, its strategy and availability of funding, the Board's risk appetite and the Group's principal risks and how these are managed.

In December 2021's the shareholders elected new board members who in turn appointed a new Managing Director; Thereafter, a new senior executive management team was appointed with a focus to strengthen the supervisory function of internal audit and controls, restructuring the operations to achieve a leaner organization, and recover the misappropriated funds through legal procedures, all while developing a new growth strategy to generate shareholder value.

Having a diverse portfolio encompassing Residential, Commercial, and Mixed-use developments, "Union Properties" is strategically positioned to capitalise on the increasing opportunities within Dubai's dynamic Real Estate market. The group remains committed to delivering premium products and services to its clients and partners, driven by a noticeable increase in contracts and the wide adoption of the latest technological innovations.

The present rise in net profit is a testament to Union Properties' unwavering dedication to upholding transparency with both the market and its clients.

As Dubai's Real Estate market continues its continuous growth, the group aims to strengthen its expansion and growth plans with a solid progression into the future.

With its robust foundation and a strategic vision, the company is well-positioned to seize new opportunities and play a significant role in Dubai's flourishing Real Estate Sector, further contributing valuable advancements to the industry

The Company also continues to reform its corporate culture, renewing corporate ethics, disclosing corporate information appropriately and enhancing compliance-focused management.

Critical lawsuits and claims

It is probable that the Group may encounter a variety of claims or lawsuits with counterparties and/or third parties while conducting its business, due to the legacy of business malpractices from previous management. With respect to these potential lawsuits and claims, the possibility exists that the Group's assertion may not be accepted or that the outcome may be significantly different from that anticipated. As a result, any such judgment/verdict or settlement could significantly affect the Group's business performance.

Compliance and reputation

The Company continues to improve governance, reforming the corporate culture, renewing corporate ethics, disclosing corporate information appropriately and enhancing compliance-focused management.

Risk and Control

The Board of Directors has established standards and principles of internal control in the Company, which aim at providing objective, independent and reliable advice, as well as providing an ideal environment for internal control that meets the requirements of the Board of Directors and contributes to enhancing the role of the Board of Directors, the Audit, Risk & Compliance Committee and the Executive Committee, in order to contribute to the proper performance of their duties, functions and responsibilities. It should also be noted that the responsibilities of the Internal Audit Department are governed by the Charter approved by the Audit Committee and the Board of Directors.

We thank the UAE leadership for their vision, aspiration and execution which gives a solid platform for all participants and economy agents to excel and contribute to the growth of the UAE. We also would like to thank the regulators, government bodies, our shareholders, debtholders, customers, partners, and employees who have been our pillars in our journey.

Directors

The Board of Directors comprised of:

Mr. Mohamed Fardan Ali Al Fardan	Chairman
Mr. Abdul Wahab Al Halabi	Vice Chairman
Mr. Amer Abdulaziz Hussain Khansaheb	Board Member and Managing Director
Mr. Darwish Abdulla Ahmed Al Ketbi	Board Member
Mr. Faras Abdul Kareem Ismail Hasan Al Ramahi	Board Member (Resigned)
Mr. Abdulrahman Hussamuddin Sharaf	Board Member (Replacement of Mr. Faras)
Mr. Saif Bin Abdulaziz Bin Yagub Alserkal	Board Member
Ms. Abeer Mohammed Omar Bin Haider	Board Member (Not nominated herself)
Ms. Ms. Afaf Al-Kontar	Board Member (Elected during AGM)

On behalf of the Board

Mohamed Fardan Ali Al Fardan
Chairman

GrantThornton

Grant Thornton Audit and Accounting Limited (Dubai Branch)

The Offices 5
Level 3
Office 302, 303, 308
One Central, DWTC
Dubai, UAE

P.O. Box 1620
T +971 4 388 9925
F +971 4 388 9915
www.grantthornton.ae

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Union Properties PJSC (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, , consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants' (including International Independence Standards) ("IESBA Code")*, together with other ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we draw attention to note 2.8 and note 32 to the consolidated financial statements. The Group has accumulated losses of AED 2,105 million and its current liabilities exceed its current assets by AED 263 million as at December 31, 2023. These conditions, along with matters described in note 2.8 indicate the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matter	How our audit addressed the key audit matter
i) Valuation of investment properties The Group's investment properties portfolio is carried at AED 2,957 million (2022: AED 3,163 million) under the fair value model including a net fair value gain recorded amounting to AED 506 million (2022: gain of AED 26 million). The Group engaged professionally qualified external valuers to fair value its investment properties. The valuers performed their work in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards. The fair value definition as per RICS Valuation Standards, adopted by the external valuers, complies with the fair value definition under IFRS. The valuation of the portfolio is a significant judgement area and is underpinned by a number of assumptions. The existence of significant estimation uncertainty warrants specific audit focus in this area as any error in determining the fair value could have a material impact on the value of the Group's investment properties and the fair value gain or loss recognised in respect of these investment properties. Refer to note 11.5 to the consolidated financial statements which includes disclosures regarding the use of estimates and judgements by management in determining the fair valuation of investment properties.	We performed the following audit procedures: • We assessed the competence, independence and integrity of the external valuers, read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • On a sample basis, we performed audit procedures to assess whether the source data used for determining the value are reasonable by comparing it to the underlying supporting information; • We involved our real estate valuation specialist, who, on a sample basis, reviewed valuation methodologies used in the valuation process and challenged the assumptions for key estimates of market rent, cost to complete, future rental income, operating cost, occupancy rates, discount rates, capitalisation and terminal yield rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Alongside our valuation specialist, we also held discussions with the Group's management to assess the appropriateness of methodology adopted and reasonableness of the key valuation assumption used; • We performed sensitivity analysis on the significant assumptions to evaluate the extent of the impact of changes in the key assumptions to the conclusions reached by the management;

Independent Auditor's Report

To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
i) Valuation of investment properties (continued) During the year the Group has reclassified investment properties amounting to AED 933 million as held for sale. The key associated risk which warrants specific audit focus in this area is determining the Group's compliance with IFRS 5.	• We assessed that the conditions are met for the asset to be reclassified as held for sale in compliance IFRS 5 and inspected the underlying supporting evidence and recomputed the related costs to sell for these properties to verify the measurement of the net realisable value; and • We assessed the adequacy and sufficiency of the associated disclosures in the consolidated financial statements, which include the presentation and classification in compliance with the requirements of IFRS's.
ii) Revenue recognition The Group earns revenues through manufacturing, contracting, trading and services business and recognizes revenue in accordance with IFRS 15. The Group recognises revenue either at point in time or over time depending on the terms of contracts with its customer. Revenue recognition was considered a key audit matter that warrant additional audit focus as it includes key elements of judgements which include analysing whether the contracts comprise one or more performance obligations and determination of whether the performance obligations are satisfied over time or at a point in time and carries the presumed risk of fraud.	We performed the following audit procedures: • We obtained an understanding of the revenue process implemented by the Group; • We assessed the appropriateness of the revenue recognition accounting policies adopted by the Group and its compliance with International Financial Reporting Standards ("IFRS"); • We performed test of design and implementation of relevant controls for all material components; • On a sample basis, we reviewed the contracts to identify the performance obligations of the Group under these contracts and assessed whether these performance obligations are satisfied over time or at a point in time in accordance with the requirements of IFRS 15; • On a sample basis, we tested contracts, payments/completion certificates, lease agreements to ensure the existence and accuracy of the revenue recognised during the year and it's compliance with IFRS; and • We assessed the disclosures made in the consolidated financial statements in relation to IFRS 15.

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
iii) Valuation of trade and retention receivables The Group has trade and retention receivables that are overdue and not impaired (as disclosed in note 17 and 31 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.	We performed the following audit procedures: • We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of ECL methodology and its compliance with IFRS 9; • We assessed the reasonableness of management's key assumptions and judgments made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors; and • We tested the key inputs of the model such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward-looking factors used by the Group by corroborating them with publicly available information.
iv) Write back of liabilities During the year, the Group has written back liabilities and provisions no longer required amounting to AED 402 million (as disclosed in note 7 to these consolidated financial statements) relating to payable and accruals balances for which it has been determined that there would be no settlement made. The key associated risk which warrants specific audit focus in this area is determining that there is no obligation to settle these liabilities.	We performed the following audit procedures: • We obtained an understanding of these liabilities and obtained the complete listing of the balances written back during the year; • On a sample basis, we performed audit procedures to assess whether the write back of liabilities is reasonable by obtaining underlying supporting information such as settlement agreements during the year; and • The Group has written back provisions no longer required against legal cases for which final verdicts were obtained. On a sample basis, we have traced these amounts to the execution orders to recalculate the liability that has been written back.

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises information included in the Directors' report but does not include the consolidated financial statements and our auditor's report thereon. We obtained the Directors' Report prior to date of our auditor's report and we expect to obtain the remaining sections of the Annual Report after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (32) of 2021 and Articles of Association, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report
To the Shareholders of Union Properties PJSC

Report on the Audit of the Consolidated Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (32) of 2021, we report that:

i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;

iii) The Group has maintained proper books of accounts;

iv) The financial information included in the Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;

v) The Group has not purchased any shares during the year ended December 31, 2023;

vi) Note 18 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2023, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or in respect of the Group, its Articles of Association, which would materially affect its activities or its consolidated financial position as at December 31, 2023; and

viii) As disclosed in note 1 the Group did not have any social contributions made during the year ended December 31, 2023.

GRANT THORNTON

Grant Thornton
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

GRANT THORNTON UAE

Dr. Osama El-Bakry
Registration No: 935
Dubai, United Arab Emirates

12 March 2024

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Revenue from contracts with customers	5	508,009	419,187
Direct costs	5	(393,529)	(347,481)
Gross profit		114,480	71,706
Administrative and general expenses	6	(114,012)	(80,529)
Other operating income	7	30,659	16,730
Gain on sale of investment properties	11.4	70,416	2,331
Operating profit		101,543	10,238
Gain on valuation of investment properties, net	11.3	505,880	25,997
Share of results of equity accounted investees	13	(59,413)	(5,086)
Other income	7	401,964	73,661
Finance income		1,716	-
Finance costs	8	(114,073)	(74,830)
Profit for the year		837,617	29,980
Other comprehensive income		-	-
Total comprehensive income for the year		837,617	29,980
Basic and diluted earnings per share (AED)	23	0.195	0.007

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 10.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of financial position

As at 31 December 2023

	Notes	31 December 2023 AED'000	31 December 2022 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	309,684	311,474
Right-of-use assets	*10*	8,090	10,076
Development properties	*12*	11,912	9,892
Investment properties	*11*	2,957,379	3,163,998
Investments in an associate	*13*	19,914	79,327
Non-current receivables	*15*	11,575	11,830
Total non-current assets		3,318,554	3,586,597
Current assets			
Investment properties held for sale	*11.6*	932,960	-
Investments at fair value through profit or loss	*14*	699	699
Inventories	*12*	5,852	4,401
Contract assets	*16*	29,575	28,847
Trade and other receivables	*17*	413,807	396,525
Cash in hand and at banks	*19*	78,305	61,397
Total current assets		1,461,198	491,869
Total assets		4,779,752	4,078,466
EQUITY AND LIABILITIES			
Equity			
Share capital	*20*	4,289,540	4,289,540
Statutory reserve	*21*	397,857	355,976
Asset revaluation surplus	*21*	212,689	212,689
Accumulated losses		(2,105,110)	(2,900,846)
Total equity		2,794,976	1,957,359
Non-current liabilities			
Non-current portion of bank loans	*24*	220,935	341,371
Contract liabilities	*25*	-	8,118
Lease liabilities	*10*	8,979	10,498
Provision for staff terminal benefits	*26*	30,600	30,630
Total non-current liabilities		260,514	390,617
Current liabilities			
Trade and other payables	*27*	670,269	1,143,104
Contract liabilities	*25*	23,229	52,824
Lease liabilities	*10*	2,245	2,624
Bank overdrafts	*28*	41,589	50,811
Current portion of bank loans	*24*	986,930	481,127
Total current liabilities		1,724,262	1,730,490
Total liabilities		1,984,776	2,121,107
Total equity and liabilities		4,779,752	4,078,466

These consolidated financial statements were authorised for issue by the Board of Directors on 12th March 2024

Chairman

Board Member & Managing Director

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 10.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of cash flows

For the year ended 31 December 2023

	Notes	2023 AED'000	2022 AED'000
Operating activities			
Profit for the year		837,617	29,980
Adjustments for:			
Depreciation of property, plant and equipment	9	7,159	7,145
Depreciation of right of use assets	10	1,986	3,415
Gain on sale of investment properties	11.6	(70,416)	(2,331)
Gain on fair valuation of investment properties	11.3	(505,880)	(25,997)
Share of results of equity accounted investments	13	59,413	5,086
Allowance for expected credit losses	31	(7,290)	1,470
Allowance for expected credit losses - contract assets	16	(2,086)	6,156
Gain on disposal of property, plant and equipment		-	(95)
Write back of liabilities	7	(401,964)	(73,661)
Impairment of property, plant and equipment		3,673	-
Finance income		(1,716)	-
Finance cost	8	114,073	74,830
Operating cash flows before working capital changes		33,669	25,998
Change in inventories		(1,451)	331
Change in contract assets		2,258	6,416
Change in trade and other receivables		(9,737)	13,466
Change in trade and other payables and contract liabilities		(93,501)	(22,098)
Change in staff terminal benefits - net		(30)	1,486
Net cash (used in)/ from operating activities		(68,792)	25,599
Investing activities			
Additions to property, plant and equipment	9	(19,178)	(6,501)
Additions to and acquisition of investment properties	11	(1,812)	(4,061)
Additions to development properties	12	(2,020)	(2,388)
Proceeds from financial instruments at FVTPL, net	14	-	57
Proceeds from disposal of property, plant and equipment		-	612
Proceeds from sale of investment properties		261,903	129,117
Interest received		1,716	-
Change in deposit with banks		2,902	2,695
Net cash from investing activities		243,511	119,531
Financing activities			
Bank loans availed	24	101,227	244,842
Repayment of bank loans	24	(130,943)	(301,000)
Payment of lease liabilities	10	(2,977)	(4,442)
Interest paid		(112,994)	(23,376)
Net cash used in financing activities		(145,687)	(83,976)
Net decrease in cash and cash equivalents		29,032	61,154
Cash and cash equivalents at the beginning of the year		780	(60,374)
Cash and cash equivalents at the end of the year	19	29,812	780

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 10.

Union Properties Public Joint Stock Company and its subsidiaries

Consolidated statement of changes in equity

For the year ended 31 December 2023

	Share capital AED'000	Statutory reserve AED'000	Asset revaluation surplus AED'000	Accumulated losses AED'000	Total equity AED'000
At 1 January 2022	4,289,540	352,978	212,689	(2,927,828)	1,927,379
Total comprehensive income for the year	-	-	-	29,980	29,980
Other equity movements					
Transfer to statutory reserve (note 21)	-	2,998	-	(2,998)	-
At 31 December 2022	**4,289,540**	**355,976**	**212,689**	**(2,900,846)**	**1,957,359**
At 1 January 2023	4,289,540	355,976	212,689	(2,900,846)	1,957,359
Total comprehensive income for the year	-	-	-	837,617	837,617
Other equity movements					
Transfer to statutory reserve (note 21)	-	41,881	-	(41,881)	-
At 31 December 2023	**4,289,540**	**397,857**	**212,689**	**(2,105,110)**	**2,794,976**

The notes from 1 to 33 form an integral part of these consolidated financial statements.

The independent auditor's report is set out on the pages 4 to 10.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Union Properties Public Joint Stock Company ("the Company") was incorporated on 28 October 1993 as a public joint stock company by a United Arab Emirates Ministerial decree. The Company's registered office address is P.O. Box 24649, Dubai, United Arab Emirates ("UAE").

The principal activities of the Company are investment in and development of properties, the management and maintenance of owned properties including the operation of cold stores, the undertaking of property related services on behalf of other parties (including related parties) and acting as the holding company of its subsidiaries and investing in other entities as set out in note 2.4.

The Company and its subsidiaries as set out in note 2.4 are collectively referred to as ("the Group").

The Group has made no material monetary social contributions during the year ended 31 December 2023.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the requirements of the UAE Federal Law No. (32) of 2021.

2.2 Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of investment properties, revaluation of the financial assets at fair value through profit or loss at the end of each reporting period, as explained in the accounting polices given below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Comparative information

The consolidated financial statements provide comparative information in respect of the previous period.

2.4 Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries on 31 December 2023, as set out in the following pages.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation (continued)

Subsidiaries	Incorporated in	Effective ownership 2023	Effective ownership 2022	Principal activities
Gulf Mechanical A/C Acoustic Manufacturing (GMAMCO) LLC	UAE	100%	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
Gmamco Trading LLC	UAE	100%	100%	Fire fighting & safety equipment trading, air condition trading, pumps, engines, valves & spare parts trading, water heaters trading, lighting equipment requisites trading.
Gmamco Saudi LLC	KSA	100%	100%	Central air-conditioning, requisites manufacturing, fire fighting equipment assembling.
ServeU LLC	UAE	100%	100%	Facilities management, security, mechanical, electrical and plumbing works and energy management services.
Dubai Autodrome LLC	UAE	100%	100%	Building, management and consultancy for all types of race tracks and related developments for all types of motor racing.
The Fitout LLC	UAE	100%	100%	Manufacturing and interior decoration.
EDACOM Owners Association Management	UAE	100%	100%	Owners Association Management
Al Etihad Real Estate Development	UAE	100%	100%	Real estate development
Union Holding	UAE	100%	100%	Investment in equities.
UPP Capital Investment	UAE	100%	100%	Investment in equities.
Union Malls	UAE	100%	100%	Facilities management services.
UPP Investments LLC	UAE	100%	100%	Investment in equities.
Al Etihad Education	UAE	100%	100%	Investment in educational enterprises & management.
UPP International Investments LLC	UAE	100%	100%	Investment in equities.
Associates				
Properties Investment LLC	UAE	30%	30%	Investment in and development of properties and property related activities.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full in preparing these consolidated financial statements.

2.5 Functional and presentation currency

The consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. All amounts have been rounded to the nearest thousand ("AED'000"), except when otherwise indicated.

2.6 Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 32.

2.7 Fair value measurement

The Group measures certain financial instruments such as financial assets at FVTPL, and certain non-financial assets such as investment properties and land under property, plant, and equipment, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

2 BASIS OF PREPARATION (CONTINUED)

2.7 Fair Value Measurement (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- **Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group has an established control framework with respect to the measurement of fair values.

This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

External valuers are involved for valuation of significant assets, such as properties. If third party is used to measure fair values, the management team discusses with the valuer the valuation techniques and inputs to use and assesses the evidence obtained from the third party to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2 BASIS OF PREPARATION (CONTINUED)

2.7 Fair Value Measurement (continued)

The Group measures its investment properties at fair value and engages an external valuer to determine the fair value of all its properties.

The determination of the fair value of most of these investment properties is performed using the income approach of valuation, while a residual valuation methodology has been used for investment properties under development.
The Group's determination of fair value for the investment properties requires management to make significant estimates and assumptions related to future rental rates, capitalisation rates and discount rates.

2.8 Financial Commitments

The Group's loans and borrowings as at 31 December 2023 amounted to AED 1,249.5 million (AED 1,207.9 million of bank loans and AED 41.6 million of bank overdrafts). Furthermore, the Group has net current liabilities of AED 263 million as at the reporting date.

The management has analysed the Group's liquidity position over a period of 12 months from the reporting date. Based on the Group's available funding facilities, forecasted cash inflows from operations, contractual loan maturities, debt service costs, estimated and committed capital expenditure, and liquid investments management has not identified a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern or to meet its future obligations.

The Board of Directors has reviewed the Group's cash flow projections and concluded that the Group will be able to meet its commitments as they fall due in the foreseeable future.

3 MATERIAL ACCOUNTING POLICIES

3.1 Summary of material accounting policies

Associates and joint ventures

Associates are those entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associates and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Associates and joint ventures (continued)

The statement of profit or loss reflects the Group's share of the results of operations of the associates and joint venture. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associates or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profit of associates and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Current versus non-current classification (continued)

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Revenue from contracts with customers

The Group is in the business of development, sale and leasing of properties as well as involved in manufacturing, contracting, trading and services activities. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 32.

Trading activities

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

Contracting activities

Revenue from contracts for mechanical, electrical and plumbing works as well as from interior architecture is recognised over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery, installation, warranties etc.). In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contracts with customers specify that the Group is liable to pay penalty or for liquidated damages if certain conditions specified in the contract are not met for reasons not attributable to the customer.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Contracting activities (continued)

This penalty amount may vary for different contracts and/or customers. When the Group identifies the existence of variable consideration, it will estimate the amount of the consideration at contract inception by using the expected value approach and recognise a liability for the expected future losses.

Contract modifications

Variation orders or modifications to original contracts are common to the Group considering the long-term contracting nature of business. The terms for variation orders are defined in each contract. Generally, variations are priced by reference to the per unit rates agreed in the contract and the revised quantities required for the completion of the contract. In accordance with IFRS 15, the Group will account for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified. Alternatively, the Group will account for a contract modification as a separate contract if the scope of contract increases due to addition of distinct goods or services and price of the contract increases by an amount that reflects the Group's standalone selling prices.

Warranty obligations

The Group provides its customers warranty against defects arising from normal and/or expected usage and maintenance for a period of 1 year from the date of taking over certificates. Management assessed that 1-year warranty for defects are considered as an assurance type warranty as this warranty is necessary to ensure that the delivered products/services are as specified in the contract for a minimum period. There is no separate performance obligation for this warranty.

The extended warranty which is given by the Group for a period longer than required by the normal practice, is usually for the purpose of detecting errors or defects in the work performed and is necessary to provide assurance that the goods or services comply with the agreed upon specifications, and accordingly, such warranties are treated as assurance type warranty. Otherwise, and in rare cases, such warranty will be treated as a service type warranty and thus will be considered as a separate performance obligation.

Where warranty is considered as an assurance type warranty, the Group accrues for the cost of satisfying the warranty liability on the basis of historical experiences in accordance with the provisions of IAS 37.

Facility management, maintenance and motor racing services

Revenue from services is satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group, on a fixed contract basis or using an input method to measure progress towards complete satisfaction of the service. Sponsorship fees related to motor racing events are recognised in the period in which the related event is held.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Revenue from sale of development properties

The Group satisfies a performance obligation and recognises revenue from sale of properties over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue from the sale of properties is recognised at the point in time at which the performance obligation is satisfied.

Contract balances

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section Financial instruments – initial recognition and subsequent measurement.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense such costs (included in cost of sales) because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Contract costs

Contract costs comprise direct contract costs and other costs relating to the contracting activity in general and which can be allocated to contracts. In addition, contract costs include other costs that are specifically chargeable to the customer under the terms of the contracts.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Value added tax

Expenses and assets are recognised net of the amount of value added tax, except:

- When the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of value added tax included

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated financial statements.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Deferred tax (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change.

The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Foreign currencies

Transactions and balances
Transactions denominated in foreign currencies are initially recorded in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the closing rate. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. All foreign currency differences are recognised in the profit or loss.

Investments in other entities
The assets and liabilities of foreign operations are translated into AED at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Finance income and expense

Finance income comprises interest income on fixed deposits. Interest income is recognised as it accrues in the profit or loss using the effective interest method.

Finance expense comprises interest expense on bank borrowings as well as interest expense on lease liabilities. All borrowing costs, except to the extent that they are capitalised in accordance with the paragraph below, are recognised in the profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Property, plant and equipment and depreciation

Recognition and measurement

Other than land, items of property, plant and equipment are measured at cost less accumulated depreciation (refer below) and accumulated impairment losses (refer accounting policy on impairment), if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads.

At 31 December 2023 and 2022, land is measured at fair value less accumulated impairment losses recognised after the date of revaluation. Valuation is performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Assets	*Number of years*
Buildings and leasehold improvements	2 to 20
Plant and machinery	5 to 10
Furniture, fixtures and office equipment	2 to 4
Motor vehicles	4
Equipment and tools	2 to 3

The depreciation method, useful lives and residual values are reassessed at the reporting date.

Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses (refer accounting policy on impairment), if any, until the construction is complete. Upon completion of construction, the cost of such asset together with the cost directly attributable to construction (including borrowing costs and land rent capitalised) are transferred to the respective class of assets. No depreciation is charged on capital work-in-progress.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Investment properties

Recognition

Land and buildings owned by the Group for the purposes of generating rental income or capital appreciation or both are classified as investment properties. Properties that are being constructed or developed for future use as investment properties are also classified as investment properties. Where the Group provides ancillary services to the occupants of a property, it treats such a property as an investment property if the services are a relatively insignificant component of the arrangement as a whole.

When the Group begins to redevelop an existing investment property for continued future use as an investment property, the property remains as an investment property, which is measured based on fair value model and is not reclassified as development property during the redevelopment with respect to as an investment property.

Measurement

Investment properties are initially measured at cost, including related transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Any gain or loss arising from a change in fair value is recognised in the profit or loss. Fair values are determined based on a semi-annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee Where the fair value of an investment property under development is not reliably determinable, such property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable.

Transfer from development properties to investment properties

Certain properties held for sale are transferred from development properties to investment properties when those properties are either released for rental or for capital appreciation or both. The properties held for sale under development properties are transferred to investment properties at cost. Subsequent to initial recognition, such properties are valued at fair value in accordance with the measurement policy for investment properties.

Derecognition

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs, and for qualifying assets (if any), borrowing costs capitalised in accordance with the Group's accounting policy. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section *Revenue from contracts with customers*.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and retentions receivable and contract assets, including receivables from sale of real estate properties that contain a significant financing component, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities, and loans and borrowings including bank overdrafts.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings and lease liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank in current and deposit accounts (having a maturity of three months or less and excluding deposits held under lien). Bank overdrafts that are repayable on demand and bills discounted having a maturity of three months or less, if any, form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Impairment of non-financial assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of one to five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of other inventories is based on the first-in-first-out method and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Properties held for sale

The Company classifies certain assets as held for sale in accordance with the requirements of International Financial Reporting Standard IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Assets classified as held for sale are measured at its net realisable value. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business.

Assets held for sale as of 31 December 2023 primarily consist of investment properties. The reclassification of these assets as held for sale signifies the Company's intention to dispose of them within the near term, typically within one year.

The Company discloses the major classes of assets held for sale and the asset's carrying amounts are presented separately from other assets in the consolidated statement of financial position.

Any liabilities directly associated with the assets held for sale are presented separately from other liabilities in the consolidated statement of financial position. Liabilities directly associated with assets held for sale are recognized at their carrying amount, except for liabilities that will be settled after the expected sale date, which are recognized at their present value (if any).

The Company recognizes any gain or loss arising from the derecognition of assets classified as held for sale in profit or loss in the period in which the criteria for classification as held for sale are met.

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. When the Group expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain.

The expense relating to a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for contract maintenance

Provision for contract maintenance is recognised when the underlying contract enters the maintenance period. The provision is made on a case-by-case basis for each job where the maintenance period has commenced and is based on historical maintenance cost data and an assessment of all possible outcomes against their associated probabilities.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets between 2 to 25 years.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section *Impairment of non-financial assets.*

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.1 Summary of material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in the consolidated statement of profit or loss. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The results of the operating segments are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, costs incurred for purchase of investment properties or redevelopment of existing investment properties and costs incurred towards development of properties which are either intended to be sold or transferred to investment properties.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

3 MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.2 Changes in accounting policies and disclosures

Adoption of new and revised International Financial Reporting Standards, amendments and interpretations

New standards adopted as at 1 January 2023

Some accounting pronouncements which have become effective from 1 January 2023 and have therefore been adopted do not have a significant impact on the Group's financial results or position.

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

Standards, amendments and interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

These amendments do not have a significant impact on these consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information

- IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 Climate-related Disclosures

- IFRS S2 sets out the requirements for identifying, measuring, and disclosing information about climate-related risks and opportunities that is useful to primary users of general-purpose financial reports in making decisions relating to providing resources to the entity.
- The Group is currently assessing the impact of the IFRS S1 and IFRS S2 on the consolidated financial statements.

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Financial Risk
- Credit risk
- Liquidity risk
- Market risk; and
- Capital Management

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies, and processes for measuring and managing risk, and the Group's management of capital. Furthermore, quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has an overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products offered.

Financial risk

The Group's Corporate Finance and Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages financial risks relating to operations of the Group based on internally developed models, benchmarks and forecasts which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of financial risks by using appropriate risk management techniques including using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by management's analysis of market trends, liquidity position and predicted movements in interest rate and foreign currency rates which are reviewed by the management on a continuous basis. The Group does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

Credit risk (continued)

Trade receivables and contract assets

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored. At 31 December 2023 and 2022, the Group had receivables from a large number of customers.

The Group is exposed to credit risk on receivables from real estate property sales as the Group allows its customers to make payments in instalments over a period of 2 to 5 years. In order to mitigate the credit risk, the Group receives advances from its customers at the time of the sale and post-dated cheques for the remaining balance at the time of hand over. In addition, the Group does not transfer the legal title of the property to the customer until the full amount has been paid. Furthermore, the risk of financial loss to the Group on account of customer default is low as the property title acts as collateral.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., product type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 31. The Group does not hold collateral as security.

The Group evaluates the concentration of risk with respect to trade receivables and contract assets as low, as the balances are due from a large number of customers operating in various industries.

Exposure to credit risk from trade receivables is discussed in details in Note 31.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. The Group considers the credit risk on bank balances to be minimal given that the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group invests only on quoted equity and debt securities with low credit risk.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position on 31 December 2023 and 2022 is the carrying amounts as illustrated in Note 31.

4 FINANCIAL RISK MANAGEMENT AND CAPITAL MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk relates to trade and other payables (including non-current payables), security deposits, amounts due to related parties, lease liabilities, short-term bank borrowings, and long-term bank loans. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The maturity profile of the Group's financial liabilities is disclosed in Note 31.
The responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and committed borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market risk

Market risk is the risk resulting from changes in market prices, such as interest rates and equity prices, which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Equity risk

The Group buys and sells certain marketable securities. The Group's management monitor the mix of securities in the investment portfolio based on market expectations and these dealings in marketable securities are approved by the Board of Directors.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates.

Interest rate sensitivity analysis is disclosed in Note 31.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's financing activities in relation to debt obligations denominated in Egyptian Pounds.

Foreign currency risk sensitivity analysis is disclosed in Note 31.

Capital management

The primary objective of the Group's capital management is to maintain an optimal capital structure to support its business thereby increasing shareholder's value and benefits for other stakeholders.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS

5.1 Disaggregated revenue and cost information

	For the year ended 31 December 2023			
Segments	Real estate	Contracting	Goods and services	Total
	AED'000	AED'000	AED'000	AED'000
Type of goods or service				
Property rentals	41,836	-	-	41,836
Facility management and maintenance services	-	-	347,720	347,720
Interior architecture	-	43,557	-	43,557
Motor racing services	-	-	57,721	57,721
Sale of goods	-	-	17,175	17,175
Total revenue from contracts with customers	**41,836**	**43,557**	**422,616**	**508,009**
Timing of revenue recognition				
Goods and services transferred at a point in time	-	-	74,896	74,896
Services transferred over time	41,836	-	347,720	389,556
Goods and services (bundled) transferred over time	-	43,557	-	43,557
Total revenue from contracts with customers	**41,836**	**43,557**	**422,616**	**508,009**
Direct costs	(22,108)	(34,367)	(337,054)	(393,529)
Gross profit	19,728	9,190	85,562	114,480

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS (CONTINUED)

5.1 Disaggregated revenue and cost information (Continued)

	For the year ended 31 December 2022			
Segments	Real estate	Contracting	Goods and services	Total
	AED'000	AED'000	AED'000	AED'000
Type of goods or service				
Property rentals	37,435	-	-	37,435
Facility management and maintenance services	-	-	277,410	277,410
Interior architecture	-	40,041	-	40,041
Motor racing services	-	-	47,900	47,900
Sale of goods	-	-	16,401	16,401
Total revenue from contracts with customers	37,435	40,041	341,711	419,187
Timing of revenue recognition				
Goods and services transferred at a point in time	-	-	64,301	64,301
Services transferred over time	37,435	-	277,410	314,845
Goods and services (bundled) transferred over time	-	40,041	-	40,041
Total revenue from contracts with customers	37,435	40,041	341,711	419,187
Direct costs	(32,665)	(34,846)	(279,970)	(347,481)
Gross profit	4,770	5,195	61,741	71,706

5.2 Direct costs information

Direct costs include the following:

	2023	2022
	AED'000	AED'000
Staff costs	**183,191**	165,352
Inventories recognised as cost	**164,356**	71,036
Depreciation (note 9.2)	**4,604**	4,768

5.3 Contract balances

	2023	2022
	AED'000	AED'000
Trade, property and retention receivables (note 15 & 17)	**342,949**	219,849
Contract assets (note 16)	**29,575**	28,847
Contract liabilities (note 25)	**23,229**	60,942

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS (CONTINUED)

5.3 Contract balances (Continued)

Trade receivables

Current portion of trade receivables are non-interest bearing and are generally on terms of 30 to 90 days from the date of sale.

Retention receivable

Retention receivable is non-interest bearing and represent payments withheld by customers over a certain period and according to contractual agreements between the Group and the customers. These retentions are calculated based on a certain percentage of the total work billed. Retention receivables serve as guarantees to customers for the proper execution of the contract during and after completion of the projects.

Contract assets

Contract assets represents unbilled revenue arising from the Groups contracting activities which pertains to the Group's right to consideration in exchange for goods or services that it has transferred to the customers. Where payments from customers are received after the associated performance obligations being met and therefore revenue recognised in the profit or loss account, contract assets are recognised. These contracts have remaining performance obligations (unsatisfied or partially unsatisfied) which is expected to be recognised as revenue over the remaining tenor of these contracts. In 2023, no allowance for expected credit losses on contract assets was recognised (2022: Nil).

Contract liabilities

Contract liabilities represent advances received from customers to deliver projects, goods, and services, advances for rental of properties and excess billings (note 25).

5.4 Performance obligations

Information about the Group's performance obligations are summarised below:

Sales of goods

The performance obligation is satisfied upon collection/delivery of the goods and payment is generally due within 30 to 90 days from the date of sale.

The Group receives short-term advances against the satisfaction of the related performance obligations, which do not contain any financing component, and provides assurance type warranty, which is not considered a separate performance obligation.

Contracting

The performance obligation for mechanical, electrical, and plumbing works and interior decorations are satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group. Payment is generally due upon submission of payment certificates and acceptance of the same by customers. The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of 31 December 2023 are, as follows:

	2023	2022
	AED'000	AED'000

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

5 REVENUE AND DIRECT COSTS (CONTINUED)

5.4 Performance obligations (continued)

Rental income from properties

The performance obligation for the rental of properties is satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group usually receives payment against rental contract in advance.

Services

The performance obligations for facility management, maintenance and motor racing services are satisfied over time, because the customer simultaneously receives and consumes the benefits provided by the Group.

6 ADMINISTRATIVE AND GENERAL EXPENSES

	2023 **AED'000**	2022 AED'000
Staff costs	**52,138**	33,758
Professional fees and licenses	**19,766**	12,182
Depreciation of property, plant and equipment (note 9.2)	**2,555**	2,377
Depreciation of right of use assets (note 10)	**1,986**	3,415
Marketing and advertising expenses	**2,921**	2,320
Expected credit loss expense on receivables (note 31)	**4,252**	1,470
Other expenses	**30,394**	25,007
	114,012	80,529

7 OTHER OPERATING INCOME / OTHER INCOME

	2023 **AED'000**	2022 AED'000
Write back of liabilities (refer note below)	**401,964**	73,661
Other operating income - miscellaneous income	**30,659**	16,635
Gain on disposal of property, plant and equipment	**-**	95
	432,623	90,391

The write back of liabilities are mainly related to payables and accruals in relation to completed projects and cancelation of contracts for which management assessed that no settlement will be required against.

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements (continued)

8 FINANCE COSTS

	2023 AED 000'	2022 AED 000'
Interest on bank loans	110,136	71,889
Interest expense on lease liabilities (note 10)	1,079	1,889
Others	2,858	1,052
	114,073	74,830

9 PROPERTY, PLANT AND EQUIPMENT

	Land AED'000	Buildings and leasehold improvements AED'000	Plant and machinery AED'000	Furniture, fixtures and office equipment AED'000	Motor vehicles AED'000	Equipment and tools AED'000	Capital work-in progress AED'000	Total AED'000
Cost and revaluation:								
At 1 January 2022	251,977	108,168	35,385	81,692	47,599	12,355	1,578	539,154
Additions	-	496	202	4,304	-	113	1,386	6,501
Disposals	-	-	(8,646)	(82)	(2,750)	(11)	(167)	(11,656)
At 31 December 2022	251,977	108,664	26,941	85,914	45,249	12,457	2,797	533,999
Additions	-	9,222	109	7,571	1,751	193	332	19,178
Disposals	-	(3,294)	(68)	-	(848)	-	-	(4,210)
Transfer to investment properties (note 11)	(10,136)	-	-	-	-	-	-	(10,136)
Write off during the year	-	(11,586)	-	(15,596)	-	-	-	(27,182)
At 31 December 2023	241,841	103,006	26,982	77,889	46,152	12,650	3,129	511,649
Depreciation:								
At 1 January 2022	-	57,431	34,183	80,604	42,250	12,051	-	226,519
Charge for the year	-	3,472	211	2,420	980	62	-	7,145
Disposals	-	-	(8,646)	(82)	(2,290)	(121)	-	(11,139)
At 31 December 2022	-	60,903	25,748	82,942	40,940	11,992	-	222,525
Charge for the year	-	3,578	217	2,207	1,013	144	-	7,159
Disposals	-	(3,294)	(68)	-	(848)	-	-	(4,210)
Write off during the year	-	(7,913)	-	(15,596)	-	-	-	(23,509)
At 31 December 2023	-	53,274	25,897	69,553	41,105	12,136	-	201,965
Net carrying amount:								
At 31 December 2023	241,841	48,923	1,017	8,336	5,804	634	3,129	309,684
At 31 December 2022	251,977	47,761	1,193	2,972	4,309	465	2,797	311,474

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

9.1 Capital work-in-progress

Capital work in progress mainly represents payments towards office renovation and equipment.

9.2 Depreciation

Depreciation is allocated in profit or loss as follows:

	2023 AED'000	2022 AED'000
Recognised as cost (note 5.2)	**4,604**	4,768
Recognised as general and administrative expenses (note 6)	**2,555**	2,377
	7,159	7,145

9.3 Transfer to investment properties

The transfer during the year represents a transfer due to change in use as this asset is now held for the purpose of earning rental income with the management intending to lease these out.

10 LEASES

10.1 Group as lessee

The Group has lease contracts for plots of land and an office used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is not restricted from assigning and subleasing the leased lands. There are several lease contracts that include extension and termination options, which are further discussed below.

The Group also has certain leases of buildings and vehicles with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

10 LEASES (CONTINUED)

10.1 Group as lessee (continued)

Right of use assets

	AED'000
Cost:	
As at January 1, 2022	35,725
Disposal	(10,726)
As at December 31, 2022	24,999
Disposal	(596)
As at December 31, 2023	**24,403**
Depreciation:	
At 1 January 2022	14,031
Charge for the year	3,415
Disposal	(2,523)
At 31 December 2022	14,923
Charge for the year	1,986
Disposal	(596)
As at December 31, 2023	**16,313**
Net book value	
As at December 31, 2023	**8,090**
As at December 31, 2022	10,076

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2023 AED'000	2022 AED'000
Opening balance	13,122	22,266
Interest charge for the year	1,079	1,889
Payment during the year	(2,977)	(4,442)
Adjustments	-	(6,591)
	11,224	13,122
Current	2,245	2,624
Non-current	8,979	10,498

The maturity analysis of lease liabilities is disclosed in Note 31.

The Group had total cash outflows for leases of AED 3 million in 2023 (2022: AED 4.4 million). There are no future cash outflows relating to leases that have not yet commenced at the reporting date.

The Group does not have lease contracts that contain variable payments.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 32).

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

10 LEASES (CONTINUED)

10.1 Group as lessee (continued)

The Group accounted for the extension options of all land lease contracts as part of its lease liabilities determination given the short-term contractual terms of these contracts and the long-term business needs of the Group. The undiscounted potential future rental payments relating to periods following the exercise date of the extension option related to the lease of an office that are not included in the lease term are AED 16.7 million exercisable within five years.

10.2 Group as lessor

The Group has entered operating leases on its investment property portfolio consisting of commercial and residential properties (see Note 11). These leases have terms of between one and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties.

Rental income recognised by the Group during the year is AED 41.8 million (2022: AED 37.4 million).

11 INVESTMENT PROPERTIES

The Group's investment properties consist of commercial and residential properties as well as land in Dubai Motor City, which are carried at fair value based on level 3 fair value hierarchy. The Group has no restrictions on the realizability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance, and enhancements.

The movement in investment properties during the year was as follows:

	2023 **AED'000**	2022 AED'000
At 1 January	**3,163,998**	3,260,726
Additions during the year	**1,812**	4,061
Transfer from property, plant and equipment (note 9)	**10,136**	-
Investments held for sale (note 11.6)	**(932,960)**	-
Gain on fair valuation (note 11.2 & 11.3)	**905,880**	25,997
Sale of investment properties (note 11.4)	**(191,487)**	(126,786)
At 31 December	**2,957,379**	3,163,998

11.1 Transfer from property, plant, and equipment

During the year, the Group has transferred a property from property, plant, and equipment to investment properties upon change in use amounting AED 10.1 million. The transfer during the year represents a transfer due to change in use as this asset is now held for the purpose of earning rental income with the management intending to lease these out.

11 INVESTMENT PROPERTIES (CONTINUED)

11.2 Valuation of investment properties

As of 31 December 2023, the fair values of the properties are based on valuations performed by an accredited independent registered valuer. A valuation model in accordance with that recommended by the International Valuation Standards Council has been applied.

The independent valuer provides the fair value of the Group's investment property portfolio every year end. The valuer carried out the valuation based on an open market valuation in accordance with RICS Appraisal and Valuation Manual issued by the Royal Institute of Chartered Surveyors, adopting the IFRS basis of fair value and using established valuation techniques. The independent valuer reviewed the updated master community development plan for the MotorCity project in forming its view of the fair value of the portfolio as at 31 December 2023 and 2022.

The fair values have been determined by taking into consideration the discounted cash flows where the Company has ongoing lease arrangements. In this regard, the Group's current lease arrangements, which are entered into on an arm's length basis, and which are comparable to those for similar properties in the same location, have been taken into account.

In cases where the Company does not have any on-going lease arrangements, fair values have been determined, where relevant, having regard to recent market transactions for similar properties as well as considering of expected changes in the supply of properties in and around the same location as the Group's investment properties. These values are adjusted for differences in key attributes such as property size.

For property under construction, the valuation was determined using residual value approach incorporating a combination of both the income and cost approaches. The market value estimate of these properties is on the assumption that the properties are complete as at the date of valuation, and from which appropriate deductions are made for the costs to complete the project in order to estimate the value of the property in its present condition.

Accordingly, based on the above valuation, gross fair value gains of AED 906 million has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2023 *(2022: gain of AED 26 million)*. The Company's Board of Directors has reviewed the assumptions and methodology used by the independent registered valuer, and in its opinion, these assumptions and valuation methodology are appropriate and prudent as at the reporting date.

Any significant movement in the assumptions used for the fair valuation of investment properties would result in significantly lower/higher fair values of those assets.

11.3 Updates during the year

In previous years, the Group had conducted a survey of the Masterplan for Dubai Motorcity (built and non-built area) and submitted formal requests to the concerned regulatory authorities for the issuance of revised affection plans with amended Gross Floor Areas ("GFA") and requesting to repurpose the land usage (in some cases).

After a long journey and constructive negotiation, the Group announced a major step forward by achieving a settlement with the regulator. Under such agreement, the Group will pay "Dubai land" the amount of AED 400 million by instalments over a three (3) year period, and "Dubai land" is to provide a no objection certificate, allowing the Group to repurpose parts of its Motor City master plan including the Theme Park land.

Union Properties Public Joint Stock Company and its subsidiaries

11 INVESTMENT PROPERTIES (CONTINUED)

11.3 Updates during the year (continued)

This allowed the Group to apply to the zoning authority for a change of usage permit also allowing the company to develop additional residential zones and/or increased GFA, thereby unlocking further value in Union Properties Motor City master plan, resulting in increased shareholder value.

As an immediate effect of such agreement, those land plots and assets which are part of the Motorcity Masterplan have been revalued – based on revised GFA and usage – availing a conservative appreciation of approximately AED 826 million.

As a result, of the above the Group has recognised a gross fair value gain of AED 906 million which has been set off against the AED 400 million payment to be made to "Dubai land" resulting in a net gain on fair valuation of AED 506 million recognised in the consolidated statement of profit or loss.

11.4 Sale of investment properties

During the year, investment properties with a carrying value of AED 191.4 million *(2022: AED 126.8 million)* were disposed of for a consideration of AED 261.8 million *(2022: AED 129.1 million)* resulting in a gain of AED 70.4 million *(2022: AED 2.3 million)*.

11.5 Description of valuation techniques used and key inputs to valuation of investment properties.

The valuations were determined mainly using the income valuation approach or the market (sale comparable) valuation approach based on significant unobservable inputs such that the fair value measurement was classified as level 3.

Income valuation approach

In determining the fair value of properties using the income valuation approach, the valuer took into account property specific information such as the current contracted tenancies agreement and forecasted operating expenses. The valuer applied assumptions for capitalization yield rates and estimated market rent, which are influenced by specific characteristics, such as property location, income return and occupancy of each property in the portfolio, to arrive at the final valuation. The significant unobservable inputs include estimated rental value per square foot., forecasted operating expenses, long-term vacancy rate and discount rate.

For properties that are under development, the valuer used a residual approach, which takes into account the expectations of perceived market participants of the Gross Development Value for an asset assuming development is complete, less Gross Development Cost (which is the expected cost to complete development) in order to arrive at the property value in its current incomplete state. In this type of approach, additional unobservable inputs are used including comparable rent rates, expected future use of the asset, and expected time and cost to complete development.

Market valuation approach

In determining the fair value of properties using the market valuation approach, the valuer took into consideration the price per square foot for recent market transactions for comparable properties in and around the same location of the respective property and/or having the same quality and characteristics of the valued property. The significant unobservable input for this type of valuation mainly represents the price per square foot applied on the property area in determining the value of the respective property.

11 INVESTMENT PROPERTIES (CONTINUED)

11.5 Description of valuation techniques used and key inputs to valuation of investment properties (continued)

Other Information

Significant increases (decreases) in the significant unobservable inputs would result in a significantly higher (lower) fair values.

The valuation basis and assumptions used for the valuation of investment properties are consistent with those adopted in 2022. There were no changes to the valuation techniques during the year.

11.6 Investment properties held for sale

Investment properties held for sale represent plots of land intended to be sold in the normal course of business. The balance of these properties as at the year-end amounted to AED 933 million.

As at 31 December 2023, the Group determined net realisable value of the investment properties held for sale. The estimates of net realisable values are based on the most reliable evidence available at the reporting date of the amount that the Group is expected to realise from the sale of these properties in its ordinary course of business.

12 INVENTORIES

Trading and project related inventories

	2023 AED'000	2022 AED'000
Project related material - gross	2,339	2,705
Stock-in-trade	525	153
Spares and consumables	3,577	2,636
Less : provision for slow moving materials	(589)	(1,093)
	5,852	4,401

Development properties

	2023 AED'000	2022 AED'000
At 1 January	9,892	7,504
Net movement during the year	2,020	2,388
At 31 December	11,912	9,892

Development properties at 31 December 2023 are stated net of provision of AED 12 million *(2022: AED 9.8 million).*

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

13 INVESTMENTS IN AN ASSOCIATE

Investments in associates

	2023 AED'000	2022 AED'000
Movement for the year		
Opening balance	79,327	84,413
Share of loss	(59,413)	(5,086)
Closing balance	19,914	79,327
Profit or loss:		
Share of loss in Properties Investment LLC	(59,413)	(5,086)

Investment in Properties Investment LLC

The Group has a 30% equity interest in Properties Investment LLC, involved in property investments. Properties Investment LLC is a private entity that is not listed on any public exchange. The Group's interest in Properties Investment LLC is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Properties Investment LLC:

	2023 AED'000	2022 AED'000
Financial position:		
Non-current assets	231,639	258,362
Current assets	307,950	448,987
Non-current liabilities	(3,399)	(5,132)
Current liabilities	(469,810)	(437,794)
Equity	66,380	264,423
Group's share of equity - 30%	19,914	79,327

	2023 AED'000	2022 AED'000
Movement for the year		
Opening balance	79,327	84,413
Share of results	(59,413)	(5,086)
Closing balance	19,914	79,327

Union Properties Public Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements (continued)

14 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at fair value through profit or loss comprise the following:

	2023 AED'000	2022 AED'000
Unquoted equity	699	699

The movement in investments at fair value through profit or loss during the year was as follows:

	2023 AED'000	2022 AED'000
At 1 January	699	756
Disposals	-	(57)
At 31 December	699	699

The Group held investment securities which were classified as investments at fair value through profit or loss in accordance with IFRS 9.

15 NON-CURRENT RECEIVABLES

	2023 AED'000	2022 AED'000
Retention receivables	4,322	4,577
Property sales receivables	7,253	7,253
	11,575	11,830

The Group's exposure to credit risk and impairment losses related to financial assets are disclosed in note 31.

16 CONTRACT ASSETS

	2023 AED'000	2022 AED'000
Contract work-in-progress	31,835	34,916
Unbilled revenue	910	87
Allowance for expected credit losses	(3,170)	(6,156)
	29,575	28,847

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

17 TRADE AND OTHER RECEIVABLES

	2023 AED'000	2022 AED'000
Financial assets		
Trade receivables	326,823	250,985
Retention receivables	14,386	10,487
Property sales receivables	100,167	63,839
	441,376	325,311
Less: allowance for expected credit losses (note 17.1)	(110,002)	(117,292)
	331,374	208,019
Other receivables	61,976	52,365
Total (A)	393,350	260,384
Non-financial assets		
Advances to contractors (note 17.2)	2,499	4,684
Advances to banks against loan principal and interest	-	112,000
Prepayments and advances	17,958	19,457
Total (B)	20,457	136,141
Total (A+B)	413,807	396,525

During the year the Group has extended a loan to its associate amounting to AED 3.4 million which is included in the other receivables balance above (note 18).

17.1 Provision for allowance for expected credit losses

	2023 AED'000	2022 AED'000
Provision against trade receivables	110,002	117,292
Provision against advances to contractors (note 17.2)	90,592	90,592
	200,594	207,884

17.2 Advances to contractors

	2023 AED'000	2022 AED'000
Advances to contractors	93,091	95,276
Less: provision for allowance for expected credit losses	(90,592)	(90,592)
	2,499	4,684

Significant payments aggregating to AED 90.6 million were made, between May and October 2021 to a third-party vendor. Those payments were documented internally as related to various design and project management contracts, although the management identified that no or negligible service had been received, therefore the Company decided to classify it as advances to contractors.

Management have recognised a provision for expected credit loss against the balance based on historical credit loss experience based on past due status which has been adjusted as appropriate to reflect current conditions and future economic conditions. The Group's exposure to credit risk and impairment losses related to receivables are disclosed in note 31.

18 TRANSACTIONS WITH RELATED PARTIES

The Group, in the normal course of business, enters transactions with other enterprises, and individuals which fall within the definition of a related party contained in IAS No. 24. Such transactions are on terms and conditions approved by the Group's management.

During the year the Group has extended a loan to its associate AED 3.4 million which is recognized in the consolidated financials carrying an interest of 2.75% + 3 months EIBOR

Compensation to directors and other members of key management are as follows:

	2023 AED'000	2022 AED'000
Salaries and other short term employee benefits	**8,554**	5,480
Director's fees paid during the year	**1,400**	1,400
Provision towards employees terminal benefits	**471**	463

19 CASH IN HAND AND AT BANKS

	2023 AED'000	2022 AED'000
Cash in hand	**1,054**	703
Cash at banks		
– in deposit accounts held under lien	**6,904**	9,806
– in current accounts	**70,347**	50,888
	78,305	61,397

(a) Cash and cash equivalents

	2023 AED'000	2022 AED'000
Cash and cash equivalents comprise:		
Cash in hand and at banks (excluding deposits under lien)	**71,401**	51,591
Bank overdrafts (refer note 28)	**(41,589)**	(50,811)
	29,812	780

(b) Cash at banks in deposit accounts

Cash at banks in deposit accounts carry interest at commercial rates.

The Group's exposure to interest rate risk and sensitivity analysis of financial assets are disclosed in note 31.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

20 SHARE CAPITAL

	2023 AED'000	2022 AED'000
Issued and fully paid up at 31 December		
4,289,540,134 *(2022: 4,289,540,134)* shares of par value of AED 1 each	**4,289,540**	4,289,540

On 31 December 2023, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the General Assembly of the Company. All shares rank equally with regard to the Company's residual assets.

On 31 December 2023, the authorised share capital of the Company is 7 billion shares.

21 RESERVES

Statutory reserve

According to the UAE Federal Law No. (32) of 2021 and the Company's Articles of Association, 5% of the annual profit of the Group is appropriated to statutory reserve until such reserve equals 50% of the paid-up share capital of the Company. Such allocations may be ceased when the statutory reserve equals half of the paid-up share capital of the Company. During the current year, the Company transferred an amount of AED 41.9 million (2022: AED 3 million) to statutory reserve.

Asset revaluation surplus

Changes in the fair value of the Group's land under property, plant and equipment measured at fair value are recognised in OCI and credited to the asset revaluation surplus in equity.

22 DIRECTORS' FEES

This represents professional fees to the Company's directors for serving on any committee, for devoting special time and attention to the business or affairs of the Company and for performing services outside the scope of their ordinary activities - refer to note 18.

23 BASIC AND DILUTED EARNINGS PER SHARE

	2023	2022
Profit/(loss) attributable to shareholders (AED'000)	**837,617**	29,980
Weighted average number of shares	**4,289,540,134**	4,289,540,134
Basic and diluted earnings per share (AED)	**0.195**	0.007

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

24 BANK LOANS

This note provides information about the contractual terms of the Group's interest-bearing bank loans, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk and interest rate risk, refer note 31.

	2023	2022
	AED'000	AED'000
At 31 December	**1,207,865**	822,498
Less: Current portion	**(986,930)**	(481,127)
Non-current portion	**220,935**	341,371

The bank loans carry interest at commercial rates. Further details related to bank loans are shown below.

The movement in bank loans during the year was as follows:

	2023	2022
	AED'000	AED'000
At 1 January	**822,498**	878,656
Availed during the year	**101,227**	244,842
Repayments during the year	**(130,943)**	(301,000)
Movement due to the loan restructure during the year (refer note i)	**487,192**	-
Settlement against advances to bank (refer note iv)	**(72,109)**	-
At 31 December	**1,207,865**	822,498

Bank loans mainly include the following facilities:

(i) During the current year, the Group entered into an agreement with a local bank as per the term sheet signed between the parties. Under this term sheet, the Group will pay a settlement amount of AED 850 million in instalments within nine months as of the date of executing the agreement.

(ii) In 2022, the Group entered into an agreement with another local bank to obtain a long-term loan of AED 155 million which is payable in 40 quarterly instalments.

(iii) Bills discounting facilities having a balance of AED 29.6 million at year-end *(2022: AED 25.1 million)*.

(iv) During the previous years the company has paid an advance of AED 112 million against one of their loans out of which AED 72.1 million was adjusted against the principal and AED 39.9 million against the interest during the period.

Securities

The above-mentioned bank loans are secured by one or more of the following:

a. Registered mortgage of lands and properties with a fair value of AED 1,856 million on 31 December 2023 *(2022: AED 1,589 million)*

b. Assignment of insurance policies of the mortgaged properties

c. Assignment of lease proceeds of certain rental units; and

d. Corporate guarantees of the Company and certain subsidiaries.

e. Assignment of receivables; and

f. Assignment of escrow account of one of the projects

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

25 CONTRACT LIABILITIES

	2023 AED'000	2022 AED'000
Excess billings over project WIP - current	**23,229**	36,493
Advances from customers - current	-	16,331
Advances from customers - non-current	-	8,118
	23,229	60,942

Contract liabilities represent advances received from customers against the sale of properties in accordance with the payment schedules as stated in the respective sale and purchase agreements, whereby the revenue would be recognised upon the handover of the properties whereas the excess billing over payments arises as a result of the Group's contracting activities undertaken during the year.

26 PROVISION FOR STAFF TERMINAL BENEFITS

The provision for staff terminal benefits, disclosed as a non-current liability, is calculated in accordance with the UAE Labour Law.

	2023 AED'000	2022 AED'000
At 1 January	**30,630**	29,144
Provision made during the year	**5,542**	8,551
Payments made during the year	**(5,572)**	(7,065)
At 31 December	**30,600**	30,630

27 TRADE AND OTHER PAYABLES

	2023 AED'000	2022 AED'000
Financial instruments		
Trade payables	**451,013**	84,205
Retention payables	**2,265**	2,978
Other payables and accruals	**216,991**	1,055,921
Total	**670,269**	1,143,104

Other payables and accruals include:

	2023 AED'000	2022 AED'000
Provisions and accruals against contracting business	**2,492**	738,652
Provision for staff related payables	**32,338**	33,505
Provisions and accruals for payment to contractors cost	**166,977**	274,353

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 31.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

28 BANK OVERDRAFTS

	2023 AED'000	2022 AED'000
Bank overdrafts	**41,589**	50,811

Significant terms and conditions

Bank overdrafts have been obtained from local and foreign/banks to finance the working capital requirements of the Group, which carry interest at commercial rates.

Securities

Bank overdrafts are secured by:

- Joint and several guarantees of the Company
- Assignment of certain contract and retention receivables.

For more information about the Group's exposure to liquidity risk and interest rate risk, refer note 31.

29 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and contingent liabilities

	2023 AED'000	2022 AED'000
Company and its subsidiaries		
Commitments:		
Capital commitments	-	19,715
Contingent liabilities:		
Letters of guarantee	**27,901**	224,455
An associate		
Contingent liabilities:		
Letters of guarantee	-	252,500

Contingent liabilities

There are certain claims and contingent liabilities that arise during the normal course of business. The Board of Directors reviews these on a regular basis as and when such complaints and/or claims are received, and each case is treated according to its merit and the terms of the relevant contract.

The associate has an ongoing litigation with its customer which casts a doubt on the recoverability of the trade receivable balance from that customer amounting to AED 334 million. The associate has filed a complaint to the Dubai Ruler's Court and sought their intervention who is undertaking investigations and reviewing the submissions & responses. A committee has also been formed to review the matters relating to the compliant.

The associate however believes that they have sufficient security against the receivable from the customer and the likelihood of success of the claim against the customer is high. Nevertheless, the possibility of recovering the amount is uncertain in view of ongoing litigation.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

30 SEGMENT REPORTING

Business segments

The Group's activities include four main business segments, namely, real estate property management, contracting activities, investing activities, and sales of goods and services. The details of segment revenue, segment result, segment assets and segment liabilities are as follows:

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

30 SEGMENT REPORTING (CONTINUED)

	Real estate	Contracting	Goods and services	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
2023					
Segment revenue	41,836	43,557	422,616	-	508,009
Direct costs	(22,108)	(34,367)	(337,054)	-	(393,529)
Gross profit	19,728	9,190	85,562	-	114,480
Administrative and general expenses	(56,323)	(8,245)	(49,429)	(15)	(114,012)
Other operating income	14,087	1,617	14,955	-	30,659
Gain on sale of investment properties	70,416	-	-	-	70,416
Operating profit/(loss)	47,908	2,562	51,088	(15)	101,543
Gain on valuation of properties, net	505,880	-	-	-	505,880
Share of results of equity accounted investees	-	-	-	(59,413)	(59,413)
Other income	392,742	-	-	9,222	401,964
Finance income	1,716	-	-	-	1,716
Finance costs	(99,488)	-	(14,585)	-	(114,073)
Profit/(loss) for the year	848,758	2,562	36,503	(50,206)	837,617
Capital expenditure	4,159	71	6,451	-	10,681
Depreciation of property, plant and equipment	-	159	7,000	-	7,159
Depreciation of right of use assets	1,426	-	560	-	1,986
Segment assets	4,104,054	47,208	608,283	293	4,759,838
Investments in associates	-	-	-	19,914	19,914
Total assets	4,104,054	47,208	608,283	20,207	4,779,752
Segment liabilities	1,592,413	40,759	308,967	42,637	1,984,776
2022					
Segment revenue	37,435	40,041	341,711	-	419,187
Direct costs	(32,665)	(34,846)	(279,970)	-	(347,481)
Gross profit	4,770	5,195	61,741	-	71,706
Administrative and general expenses	(32,568)	(12,102)	(35,649)	(210)	(80,529)
Other operating income	6,645	36	10,049	-	16,730
Gain on sale of investment properties	2,331	-	-	-	2,331
Operating profit/(loss)	(18,822)	(6,871)	36,141	(210)	10,238
Gain on valuation of properties, net	25,997	-	-	-	25,997
Share of results of equity accounted investees	-	-	-	(5,086)	(5,086)
Other income	10,833	-	-	62,828	73,661
Finance costs	(66,290)	(17)	(8,523)	-	(74,830)
Profit/(loss) for the year	(48,282)	(6,888)	27,618	57,532	29,980
Capital expenditure	4,278	73	6,211	-	10,562
Depreciation of property, plant and equipment	2,522	169	4,454	-	7,145
Depreciation of right of use assets	2,500	-	915	-	3,415
Segment assets	3,407,553	39,619	551,680	287	3,999,139
Investment in associate	-	-	-	79,327	79,327
Total assets	3,407,553	39,619	551,680	79,614	4,078,466
Segment liabilities	946,279	832,039	290,930	51,859	2,121,107

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS

Financial assets of the Group include non-current receivables, investments at fair value through profit or loss, trade and other receivables and cash in hand and at banks. Financial liabilities of the Group include trade and other payables, lease liabilities, short-term bank borrowings and long-term bank loans. Accounting policies of financial assets and financial liabilities are disclosed under note 3.

The table below sets out the Group's classification of each class of financial assets and financial liabilities and their fair values for the current and the comparative years:

	Notes	At fair value through profit or loss AED'000	At amorized cost AED'000	Total amount AED'000
31 December 2023				
Financial assets				
Non-current receivables	*15*	-	11,575	11,575
Investments at fair value through profit or loss	*14*	699	-	699
Trade and other receivables	*17*	-	393,350	393,350
Cash in hand and at banks	*19*	-	78,305	78,305
Total		**699**	**483,230**	**483,929**
Financial liabilities				
Trade and other payables		-	453,278	453,278
Bank overdrafts	*28*	-	41,589	41,589
Bank loans	*24*	-	1,207,865	1,207,865
Lease liabilities	*10*	-	11,224	11,224
Total		**-**	**1,713,956**	**1,713,956**

31 FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2022	*Notes*	At fair value through profit or loss AED'000	At amorized cost AED'000	Total amount AED'000
Financial assets				
Non-current receivables	*15*	-	11,830	11,830
Investments at fair value through profit or loss	*14*	699	-	699
Trade and other receivables	*17*	-	260,384	260,384
Cash in hand and at banks	*19*	-	61,397	61,397
Total		699	333,611	334,310
Financial liabilities				
Trade and other payables		-	87,183	87,183
Bank overdrafts	*28*	-	50,811	50,811
Bank loans	*24*	-	822,498	822,498
Lease liabilities	*10*	-	13,122	13,122
Total		-	973,614	973,614

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	**2023 AED'000**	2022 AED'000
Non-current receivables (refer note below)	*15*	**11,575**	11,830
Trade and other receivables (refer note below)	*17*	**393,350**	260,384
Cash at banks	*19*	**77,251**	60,694
		482,176	332,908

Impairment losses

Set out below is the information about the credit risk exposure on the Group's trade and retention receivables using a provision matrix:

			Trade receivables				
				Past due			
	Advances to contractors	*Retentions receivable*	*Current*	*1-90 days*	*91-365 days*	*>365 days*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
31 December 2023							
Expected credit loss rate	97.32%	38.53%	0.00%	4.66%	32.12%	72.47%	
Gross amount	93,091	18,708	88,289	86,454	28,367	123,713	438,622
Expected credit loss	90,592	7,209	-	4,031	9,112	89,650	200,594
31 December 2022							
Expected credit loss rate	95.08%	0.00%	0.00%	0.00%	23.38%	79.94%	
Gross amount	95,276	15,064	50,462	31,294	31,816	137,413	361,325
Expected credit loss	90,592	-	-	-	7,438	109,854	207,884

31 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (continued)

Impairment losses (continued)

The movement in the allowance for expected credit losses in respect of trade and retention receivables during the year is as follows:

	2023 AED'000	2022 AED'000
At 1 January	**207,884**	207,444
Provision for the year (refer note 6)	**4,252**	1,470
Amounts written off	**(11,542)**	(1,030)
At 31 December (note 17.1)	**200,594**	207,884

Foreign currency risk

The Group's exposure to foreign currency risk is mainly related to a banking facility denominated in Egyptian Pounds. A 5% strengthening in the Egyptian Pound against the AED will result in a negative impact of AED 1.8 million on profit or loss and equity. A 5% devaluation in the Egyptian Pound against the AED would have the opposite effect.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments and the impact of netting agreements at the reporting date:

		Carrying amount AED'000	Contractual cash flows AED'000	On demand AED'000	Less than one year AED'000	1 to 5 years AED'000	More than five year AED'000
Financial liabilities							
31 December 2023							
Non-derivative financial instruments							
Trade and other payables	27	670,269	670,269	-	670,269	-	-
Bank overdrafts	28	41,589	41,589	41,589	-	-	-
Bank loans	24	1,207,865	1,351,141	12,300	918,876	227,984	191,981
Lease liabilities	10	11,224	13,423	-	2,245	11,178	-
Total		**1,930,947**	**2,076,442**	**53,934**	**1,591,390**	**239,162**	**192,626**
31 December 2022							
Non-derivative financial instruments							
Instruments							
Trade and other payables	27	1,143,104	1,143,104	-	1,143,104	-	-
Bank overdrafts	28	50,811	50,811	50,811	-	-	-
Bank loans	24	822,498	878,656	434,915	134,497	111,529	197,715
Lease liabilities	10	13,122	16,458	-	2,624	13,384	-
Total		2,029,535	2,089,029	485,726	1,280,225	124,913	197,715

31 FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group is exposed to interest rate risk on cash at bank, short-term bank borrowings and long-term bank loans (refer note 19 and 24) which carry variable interest rates.

At the reporting date, the interest rate profile of the Group's variable interest-bearing financial liabilities were as follows:

	2023 AED'000	2022 AED'000
Bank overdrafts (refer note 28)	41,589	50,811
Bank loans (refer note 24)	1,207,865	822,498
	1,249,454	873,309

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. The analysis below excludes interest capitalised and assumes that all other variables remain constant.

	Effect on profit or loss and equity	
	100 bp increase AED'000	100 bp decrease AED'000
31 December 2023		
Variable rate instruments	(12,495)	12,495
31 December 2022		
Variable rate instruments	(8,733)	8,733

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group has investments at fair value through profit or loss which are stated at fair value. Also refer to note 14.

	Level 1 AED'000	Level 3 AED'000	Total AED'000
31 December 2023			
Investments at FVTPL	-	699	699
31 December 2022			
Investments at FVTPL	-	699	699

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

31 FINANCIAL INSTRUMENTS (CONTINUED)

There have been no reclassifications made between the valuation levels during the current year or the previous year.

32 SIGNIFICANT ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following are the critical accounting estimates and judgements used by management in the preparation of these consolidated financial statements:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Going concern assumption

The Group's consolidated financial statements have been prepared on a going concern basis.

As of 31st December 2023, the Group's current accumulated losses reached an amount of AED 2,105 million from an issued capital of AED 4,290 million which does not exceed 50% of its issued share capital.

The Group's management team is committed in implementing a thorough cost rationalization plan reducing its operating costs and overheads along with a change in management program which will create impact on entity's business model, financial structure, and management team, to address challenges in order to increase value of the Company for shareholders.

The management of the Group has prepared a short and medium strategy plan leveraged by a long-term vision for a period of three years from the date of these consolidated financial statements and there is high probability that the Group will have adequate resources to continue its operation in the foreseeable future.

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the timing of satisfaction of sale of real estate properties

The Group is required to assess each of its contracts with customers for the sale of real estate properties to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the current sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create or enhance an asset that the customer controls as the asset is created or enhanced and the customer receives and consumes the benefits provided by the Group's performance when the asset is transferred to the customer, and accordingly, revenue from such contracts is recognised at a point in time, when the property is handed over to the customer.

32 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements (continued)

Revenue from contracts with customers (continued)

Consideration of significant financing component in a contract

The Group's property sales include two alternative payment options for the customer, i.e., payment of the transaction price when the contract is signed and upon handing over of the property, or payment based on a deferred instalments plan. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in instalments considering the length of time between the customer's payment and the handing over date.

In determining the interest to be applied to the amount of consideration, the Group concluded that the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the property to the amount paid in advance or at the time of handing over) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

Determining the timing of satisfaction of revenue from contracting activities

The Group concluded that revenue from contracting activities is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the services under the contract that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the input method is the best method in measuring progress of the contracting activities services because there is a direct relationship between the Group's incurred cost (i.e., actual cost incurred in the satisfaction of the contract) and the transfer of service and goods to the customer. The Group recognises revenue on the basis of the actual cost incurred relative to the total expected cost to complete the project.

Significant influence over an associate

The Group concluded that it has significant influence over Properties Investments LLC, an associate. The Group holds 30% shareholding in the associate and is represented on its Board. Through its participation in the decision-making process on the Board of the associate, the Group assessed that significant influence is achieved.

Property lease classification – Group as lessor

The Group has entered commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

32 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Judgements (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for all leases of land with short non-cancellable period (i.e., one year). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on the operations if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Determination of project progress in contracting activities

The Group uses the input method when measuring the progress of the projects and calculating the related contract revenue. Use of input method requires the Group to estimate the costs incurred to date on contracts as a proportion of the total contract costs to be incurred. The accuracy of this estimate has a material impact on the amount of revenue and related profits recognised. Any revision to profit arising from changes in estimates is accounted for in the period when the changes become known.

Provision for warranty expenses

Provision for warranty expenses is recognised when the contract is completed and handed over to the customer for the period of warranty. The provision is based on historical warranty data and an assessment of all possible outcomes against their associated probabilities.

32 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (continued)

Impairment losses on property, plant and equipment and intangible assets

The Group reviews its property, plant and equipment and intangible assets to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment or intangible assets. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment or intangible assets.

Impairment losses on properties held for sale in inventory

The Group's management reviews the held for sale properties under inventory to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be recognised in the profit or loss, the management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the current selling prices are lower than the anticipated total cost at completion, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties to its net realisable value.

Estimated useful life and residual value of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31 December 2023 and management has not identified any requirement for an adjustment to the residual values and remaining useful lives of the assets for the current or future periods. This assessment is carried out at each reporting date.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. For investment properties, a valuation methodology based on a discounted cash flow (DCF) model is used, whenever there is a lack of comparable market data because of the nature of certain properties. In addition, the Group measures land under property, plant, and equipment at revalued amounts, with changes in fair value being recognised in OCI. The land was valued by reference to transactions involving properties of a similar nature, location, and condition. The Group engaged an independent valuation specialist to assess fair values as of 31 December 2023 and 2022 for the investment properties and at 31 December 2023 for land under property, plant and equipment.

The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in the notes.

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recognised in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolete inventory is based on the aging and past movement of the inventory.

Union Properties Public Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements (continued)

32 SIGNIFICANT ESTIMATES AND JUDGEMENTS (CONTINUED)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 31.

Provision against claim and contingent liabilities

The Group's management carries out on a regular basis a detailed assessment of each claim and contingent liabilities that arise during the course of normal business and accordingly makes an assessment of the provision required to settle them. These detailed assessments are based on the past experience of the management in settling these claims and contingent liabilities on commercial terms, weighting of possible outcomes against their associated probabilities. Should the estimate significantly vary, the change will be accounted for as change in estimate and the consolidated financial statements would be significantly impacted in the future.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

33 COMPARATIVE FIGURES

Reclassifications

Certain comparative figures have been reclassified or regrouped, wherever necessary, to conform to the presentation adopted in these consolidated financial statements. Such reclassifications do not affect the previously reported profit, net assets, or equity of the Group.

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Union Properties

ESG Report 2023

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MANAGING DIRECTOR's MESSAGE

As we commence another year of sustainable growth, I'm honoured to address our stakeholders and reaffirm our dedication to environmental and social responsibility. At "Union Properties", our commitment to environmental stewardship, social responsibility, and exemplary governance has been the cornerstone of our journey, shaping our reputation as a pioneer in the Real Estate sector. Our 2023 ESG Report stands as concrete evidence of our achievements and our alignment with the objectives outlined in the Dubai 2040 Urban Master Plan.

As pioneers in Dubai and the UAE, we lead landmark Real Estate projects and operational excellence through subsidiaries like Dubai Autodrome, ServeU, The Fitout, EDACOM, and GMAMCO. We consider buildings not just as structures, but as spaces where communities thrive. Therefore, our projects are designed to encourage social interaction, cultural expression, and community engagement. Motor City and Uptown Mirdiff, in line with this vision, are positioned to epitomize the circular economy and sustainable living by 2040, setting a new standard for environmentally conscious urban development. Over the past year, we have embraced cutting-edge technologies and innovative designs to make our properties resilient and adaptable to the challenges posed by climate change. We have also made significant progress in enriching our human capital, as evident by the key metrics reported. At the heart of our business lies our stakeholders, including our customers, communities, employees, shareholders, regulators, service providers, and the environment.

By aligning our objectives with the expectations of our stakeholders, we ensure that our business operations not only fulfill their immediate needs but also contribute positively to broader societal and environmental objectives.

Governance forms the very essence of our corporate identity, and we remain unwavering in our commitment to adhere to the regulatory standards set forth by the Dubai Financial Market (DFM) and the Securities and Commodities Authority rules and regulations (SCA). Our dedication extends beyond mere compliance; it reflects our core values of integrity, transparency, and accountability, evident in initiatives such as our Evolving Governance Structure, Centralization for Efficiency, IFRS Adoption Readiness, and Corporate Governance Structure.

Looking ahead, we aim to expand sustainability efforts across all asset classes and pursue initiatives like EcoVadis Certification and Forest Stewardship Council (FSC) Certification. Together, let's continue to push the boundaries of sustainability, creating a brighter, greener future for upcoming generations.

Sincerely,
Eng. Amer Abdulaziz Hussain Khansaheb
Board Member and Managing Director

Executive Summary

Union Properties stands as a leader in sustainable real estate development in Dubai. Our 2023 ESG Report is a testament to our commitment to environmental stewardship, social responsibility, and exemplary governance.

We focus on elevating our customers' quality of life by delivering high-quality conditions and a diverse range of exceptional services, all while adhering to global standards and best practices. A prime example of our sustainability drive is the ongoing infrastructure upgrades in Motor City and Uptown Mirdif, aimed at enhancing green spaces, reducing power consumption, and improving pedestrian and cycling infrastructure, thereby contributing to a reduced carbon footprint and a superior living experience.

Our upcoming flagship project, the Takaya Development, is a prime example of these principles in action. Valued at AED1.6 billion, this mixed-use development aims to be a model of urban sustainability within the Dubai Motor City landscape. Offering 788 residential and commercial units, the Takaya Development is set to commence in 2024, marking our dedication to eco-friendly construction methods and modern urban living needs.

Looking ahead, we are excited to expand our sustainability efforts across all asset classes and pursue innovative initiatives like the EcoVadis Certification and Forest Stewardship Council (FSC) Certification. Our journey is defined by a steadfast dedication to creating legacies that enrich communities and contribute positively to our environment and society.

Board of Directors Oversight

The Board of Directors plays a pivotal role in setting standards and principles for internal control, providing objective and independent advice. This approach fosters an environment conducive to internal control that aligns with the Board's expectations and enhances the effectiveness of key committees, to internal control that aligns with the Board's expectations and enhances the effectiveness of key committees, including the Audit Committee, Nomination & Remuneration Committee, and Executive Committee. Operating under a Charter, endorsed by the relevant committees and the Board, the approach maintains a consistent focus on ESG considerations.

Mr. Mohamed Fardan Ali Al Fardan
Chairman

Mr. Abdul Wahab Al Halabi
Vice Chairman

Mr. Amer Abdulaziz Hussain Khansaheb
Board Member & Managing Director

Mr. Abdulrahman Sharaf
Board Member

Ms. Afaf Al Kontar
Board Member

Mr. Saif Al Serkal
Board Member

Mr. Darwish Abdulla Ahmed Al Ketbi
Board Member

Company Values

At the heart of our company are four core values. These values collectively shape our identity, drive our decisions, and inspire us to continually strive for greatness.

Nurturing Growth & Committed to Care: Our people are the heart of our organization. By prioritizing their well-being, fostering growth, and providing meaningful career paths, we create a workplace where individuals can thrive, innovate, and contribute to the ongoing success of our company.

Our Relationships: At the core of our interactions, integrity is our cornerstone, ensuring honesty and ethical conduct. Our commitment to reliability fosters trust, while transparency in communication promotes openness and clarity. United by pride in what we do, we build a foundation of collective accomplishment and dedication to excellence in our pursuits.

Ethical Practices for Positive Impact: We actively engage in ethical and responsible practices that positively impact the well-being of the communities we serve. We believe in conducting ourselves with integrity, fostering positive change, and contributing to a sustainable and thriving society

Excellence & Commitment: We dedicate ourselves to maintaining high standards, ensuring that every task reflects our unwavering commitment to quality.

Innovation & Determination: We encourage creativity and resilience in the face of challenges. This commitment drives us to explore new possibilities and find inventive solutions.

Mission:

Our mission is to realize ambitions by delivering diverse high-quality projects, enhancing our performance with cutting-edge design, technology and management to create dynamic investment opportunities for sustainable growth in the UAE.

Vision:

Our vision is to provide best-in-class opportunities in the UAE real estate sector, empowering our customers to fulfill their ambitions.

Company Overview

For over thirty years, Union Properties has been a significant contributor to Dubai's dynamic property development landscape. Starting as a visionary enterprise, we have grown to become a key player in shaping the skyline and communities of Dubai. Our ethos, deeply rooted in the ethos of the city itself, transcends conventional construction. It is about creating sustainable, vibrant communities where quality of life is paramount.

In 2023, this ethos has evolved to meet the challenges and opportunities of a rapidly changing world. We are not just constructing buildings; we are crafting environments that are resilient, sustainable, and in harmony with the natural world. Our projects now are more than just physical structures; they embody our commitment to innovation, sustainability, and customer-centric development.

Our growth journey has been marked by a keen awareness of our environmental responsibilities. We have embraced green technologies and sustainable practices not as an option, but as a fundamental aspect of our business model. This commitment is visible in every project we undertake, each one a testimony to our dedication to sustainable development and a better future.

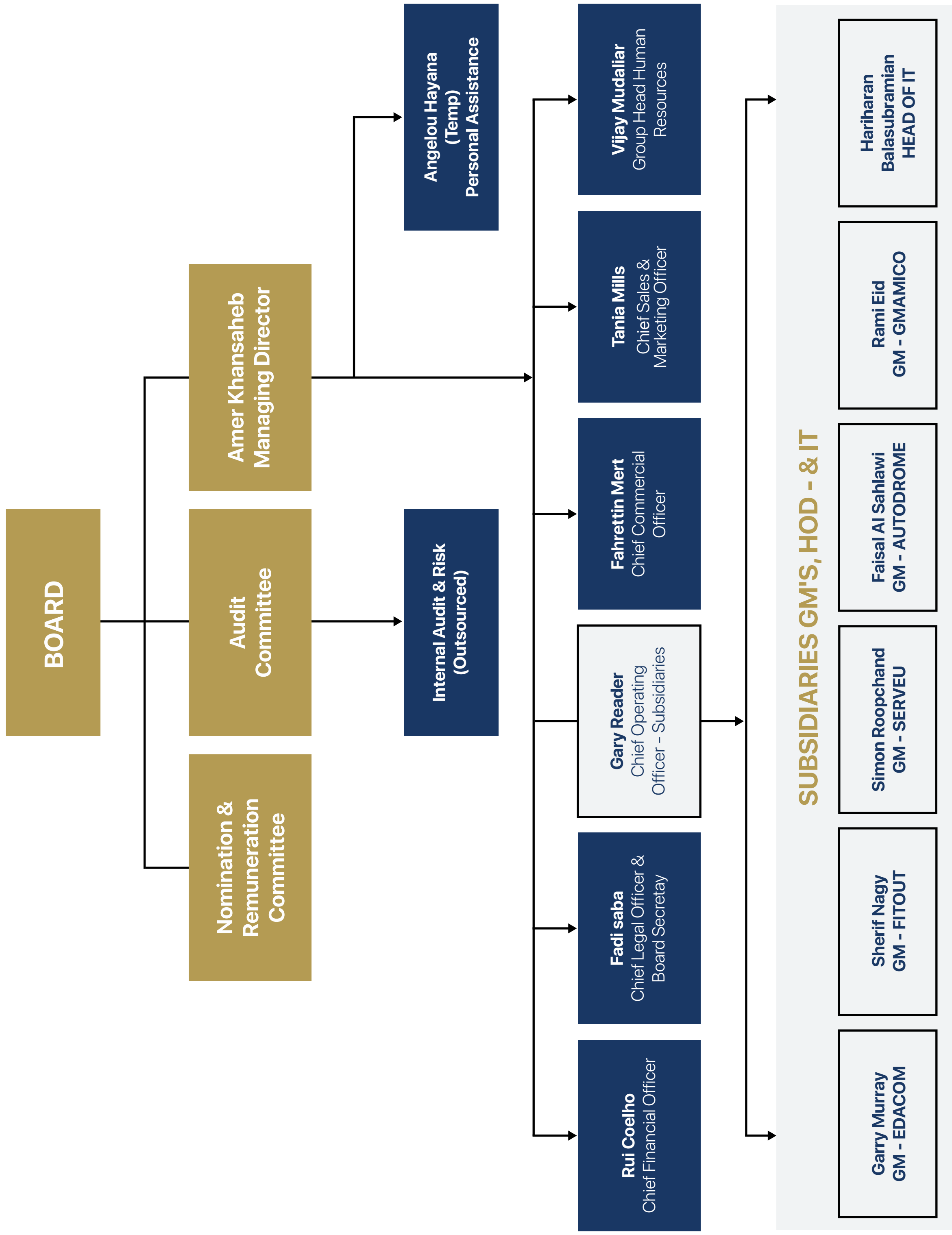
As we look forward, we are excited by the possibilities that the future holds. We are committed to continuing our journey of growth, innovation, and sustainability, striving to create not just buildings, but legacies that enrich communities and contribute positively to the environment and society.

Our People & Culture

Our people embody a set of core values that define our organization. Grounded in trust, experience, and pride in heritage, our diverse team thrives on innovation, future focus, and unity. Transparency is a key element in our communication, and our people share a limitless ambition that drives us to new heights. Together, these qualities drive us toward collective success and a sustainable future.

Corporate Organisation Chart

CORPORATE ORGANIZATIONAL STRUCTURE 19/02/2024



Our Operations

As visionaries in Dubai & the UAE, we maintain our position through landmark real estate ventures & the operational excellence of our subsidiaries. Dubai Autodrome, ServeU, The Fitout, EDACOM, & GMAMCO each play integral roles in driving our success forward.

UNION PROPERTIES

- DUBAI AUTODROME
- SERVEU
- THE FITOUT
- EDACOM
- GMAMCO

Union Properties at a Glance

In 2023, our notable achievements underscored our unwavering dedication to ESG principles.

#1

Installed over 5,000 solar panels, generating 10,828,139.29 Kilowatt-Hours of power, and saving approximately 800,000 AED in energy costs.

#2

Partnered with AGMC for COP28, utilizing an electric fleet for VIP transportation and establishing 20 EV charging stations powered by a 2.8 MW solar project.

#3

Planted 140 Palm trees, 400 Ornamental trees, and 120 Olive trees.

#4

Recycled 250 kg of cardboard and 18,400 kg of metal scrap, significantly reducing landfill contributions.

#5

Achieved a 29% reduction in emissions in 2023, over three years, the company reduced emissions by 23.7 million kilograms, leading to AED 13.8 million in savings.

#6

Implementation of advanced laser cutting machines significantly enhanced production speeds while achieving energy savings equivalent to planting 3,000 trees

#7

Focused on employee development, diversity, and inclusion, promoting a healthy and inclusive workplace culture.

#8

Contributed 2,053,820 Kilowatt-Hours of solar-generated power to the public electricity system, supporting community energy needs.

#9

Awarded the Exceptional Contribution Award and recognized as one of the top 50 GCC Developers in 2023, highlighting commitment to innovation and sustainability in real estate.

#10

Received multiple group awards recognizing our commitment to ethical practices and sustainability, including the FM Company of the Year Award.

#11

Adhered to the highest standards of corporate governance, regulated by the Dubai Financial Market (DFM) and the Securities and Commodities Authority rules and regulations (SCA).

#12

Successfully migrated 15 critical servers to Azure Cloud, achieving up to 98% reduction in carbon footprint and significantly enhancing energy efficiency

#13

ISO 14001 certification underscores our commitment to sustainability, enhancing efficiency, cutting costs, and reinforcing our corporate image.

#14

ISO 50001 certification reflects our dedication to energy management, resulting in reduced energy consumption, cost savings, and improved environmental performance.

#15

Witnessed a substantial increase in EDACOM's ranking due to strict compliance with local regulations, particularly with RERA (Real Estate Regulatory Agency), highlighting our effectiveness in governance & regulatory adherence.

Stakeholders

Our stakeholders are the cornerstone of our business. We understand that internal and external stakeholders are equally important and interdependent. This includes our customers, communities, employees, shareholders, regulators, service providers, and the environment. By aligning our objectives with the expectations of our stakeholders, we ensure that our business operations not only fulfill their immediate needs but also contribute positively to broader societal and environmental goals.

STAKEHOLDERS

We remain mindful that we have both internal and external stakeholders; one cannot exist without the other; and as such they are treated with equal importance. These include our

Customers

Communities

Employees

Shareholders

Regulators

Service Providers

Environment

ESG Principles & Goals

To solidify our position as a leader in the real estate sector and to drive sustainable growth, we have outlined a clear set of ESG principles and goals:

Goals

#1 **Leadership in the Emirates:**
Our goal is to be recognized as the leading local real estate group in the Emirates, offering a breadth and depth of services unmatched in the industry.

#2 **State-of-the-Art Integrated Communities:**
We are committed to developing unrivaled, state-of-the-art integrated communities across Dubai, focusing on innovative design and sustainability.

#3 **Best-in-Class Services:**
We aim to offer best-in-class services and experiences across our managed communities, ensuring superior quality and customer satisfaction.

#4 **Talent Development:**
Attracting and retaining top talent is crucial for our growth and success. We are dedicated to creating a work environment that fosters professional development and innovation.

Drivers

#1 **Scale and Positioned for Growth :**
Focus on Return on Assets (ROA) and Return on Capital Employed (ROCE) to ensure sustainable growth and profitability.

#2 **Sustainable Practices:**
Implement sustainable practices to increase Return on Equity (ROE) and Earnings Per Share (EPS), with the aim to consistently declare dividends.

#3 **Leverage Subsidiary Portfolio:**
Utilize our subsidiary portfolio to strengthen our Liquidity Ratio and optimize the Debt-Assets Ratio, ensuring financial stability and resilience.

#4 **Our People:**
Invest in our workforce to improve our Cost Efficiency Ratio, fostering a culture of efficiency and productivity.

Our Focus

Our vision extends beyond current market demands, aiming to foresee and shape the real estate landscape of the future. As we navigate through our fourth decade, our zest for innovation and relevance to our stakeholders remains as vital as it was at our inception. Our forward-thinking approach positions us as a trendsetter in the industry.

Embracing the challenges of climate change, as highlighted by our Managing Director, Eng. Amer Khansaheb, we are committed to sustainable development and climate-resilient solutions. This commitment is not just about building durable structures; it is about rethinking our approach to real estate in the face of environmental changes. We are integrating advanced technologies and resilient designs to create properties that are not only sustainable but also adaptable to the evolving climate.

Our focus on developing sustainable cities directly addresses global concerns like carbon emissions, energy efficiency, and water conservation. These efforts are crucial for creating environments that enhance the quality of life and foster community well-being.

Our Journey

In our journey towards sustainability and excellence, we continue to align our practices with the UAE's visionary initiatives, particularly emphasizing the Dubai 2040 Urban Master Plan and the UAE Green Agenda 2015-2030. Governed by the regulations of the Dubai Financial Market (DFM) and Securities and Commodities (SCA) regulations, our governance framework is evolving to incorporate these ambitious sustainability goals.

The Dubai 2040 Urban Master Plan, a blueprint for sustainable urban development, resonates with our vision for environmental stewardship and quality living. This plan's focus on green spaces and sustainable urban growth mirrors our commitment to integrating similar principles in our development projects.

Complementing this is our alignment with the UAE Green Agenda 2015-2030, guiding us in integrating sustainable practices and clean energy solutions. This agenda underpins our strategy in promoting sustainable lifestyles and fostering green growth, aligning with global sustainability standards.

By 2040, Motor City and Uptown Mirdif will become a model for the circular economy and sustainable living".

Our commitment to sustainability extends to the long-term vision for our communities. We aspire to make Motor City and Uptown Mirdif models for the circular economy and sustainable living by 2040.

Our strategy encompasses key targets for 2025, 2030, and 2040, which include:

Recycling and Waste Management: By 2040, we aim to establish smart recycling stations throughout these communities, contributing to a circular economy.

Energy Efficiency: Our vision includes retrofitting projects with water sensor faucets, light sensors, and widespread installation of solar panels to promote energy efficiency and renewable energy adoption.

Green Initiatives: We plan to enhance greenery and create shaded areas to improve environmental comfort while planting the seeds for a sustainable future.

Sustainable Agriculture and Recreation: Our strategy includes polytunnels, recreational facilities, and programs to t promote active and healthy lifestyles.

Educational and Health Initiatives: We are committed to fostering community well-being through educational opportunities, health check-ups, and blood drives.

Safety Education and Compliance: We will continue to enhance safety education and compliance mechanisms for the benefit of our communities.

Optimized Building Operations: Our vision includes the integration of advanced systems for efficient building operations.

As we progress towards these ambitious goals, we remain dedicated to transparency, accountability, and continuous improvement in our pursuit of sustainable development.

Our upcoming Takaya Development project, commencing in 2024, exemplifies our commitment to these sustainability principles, blending growth with environmental consciousness. This project is a milestone in our journey, reflecting our dedication to the UAE's vision of sustainable development. As we advance, our journey is marked not just by adherence to regulations but by our active role in contributing to the UAE’s transformative sustainability vision. We are committed to being a responsible, forward-thinking organization, contributing to a sustainable future.

Responding to Market Trends

We recognize the importance of adapting to the evolving real estate landscape, influenced by customer preferences and technological advancements. Our strategies include significant infrastructure upgrades focusing on sustainability, such as those in Motor City, and a shift towards customer-centric initiatives that align with the global trend of increased sustainability awareness. These efforts reflect our commitment to staying ahead in a rapidly changing market by providing solutions that meet the current and future needs of our clients.

Environment

Our dedication to environmental stewardship is a cornerstone of our operations. In alignment with the Dubai 2040 Urban Master Plan, we are unwavering in our commitment to creating developments that harmonize with nature, optimize resource use, and minimize environmental impact. This commitment extends across various aspects, including renewable energy, sustainable material sourcing, and urban forestation. Each initiative stands as a testament to our resolve to create eco-friendly and resilient communities.

Energy Savings & GHG Emissions

Our sustainability strategy is deeply rooted in our commitment to renewable and alternative energy, with several key initiatives underway across the group. We're harnessing solar energy in our developments, significantly cutting down on traditional energy dependency and affirming our pledge to clean energy. Our construction approach prioritizes energy efficiency through natural lighting, enhanced insulation, and intelligent systems, yielding properties that are both sustainable and cost-effective.

In 2023, Dubai Autodrome made significant strides in sustainable energy usage by fully operationalizing solar panels across both the Dubai Autodrome and Dubai Kartdrome venues starting April 2023. This initiative saw the installation of over 5,000 solar panels, which collectively generated a remarkable 4,272,490 Kilowatt-Hours of power. Demonstrating a commitment to not just self-sufficiency but also community contribution, Dubai Autodrome fed 2,053,820 Kilowatt-Hours back into the public electricity system, aiding in the power supply across various neighbourhoods in the emirate.

This shift towards renewable energy sources has yielded substantial financial benefits. For the year 2023, Dubai Autodrome achieved energy cost savings of approximately AED 800,000.

DUBAI AUTODROME

SOLAR ENERGY FIGURES 2023

ENERGY PRODUCED (kWh)
4,272,490.64

CO2 AVOIDED / YEAR
2,055 Metric Tons

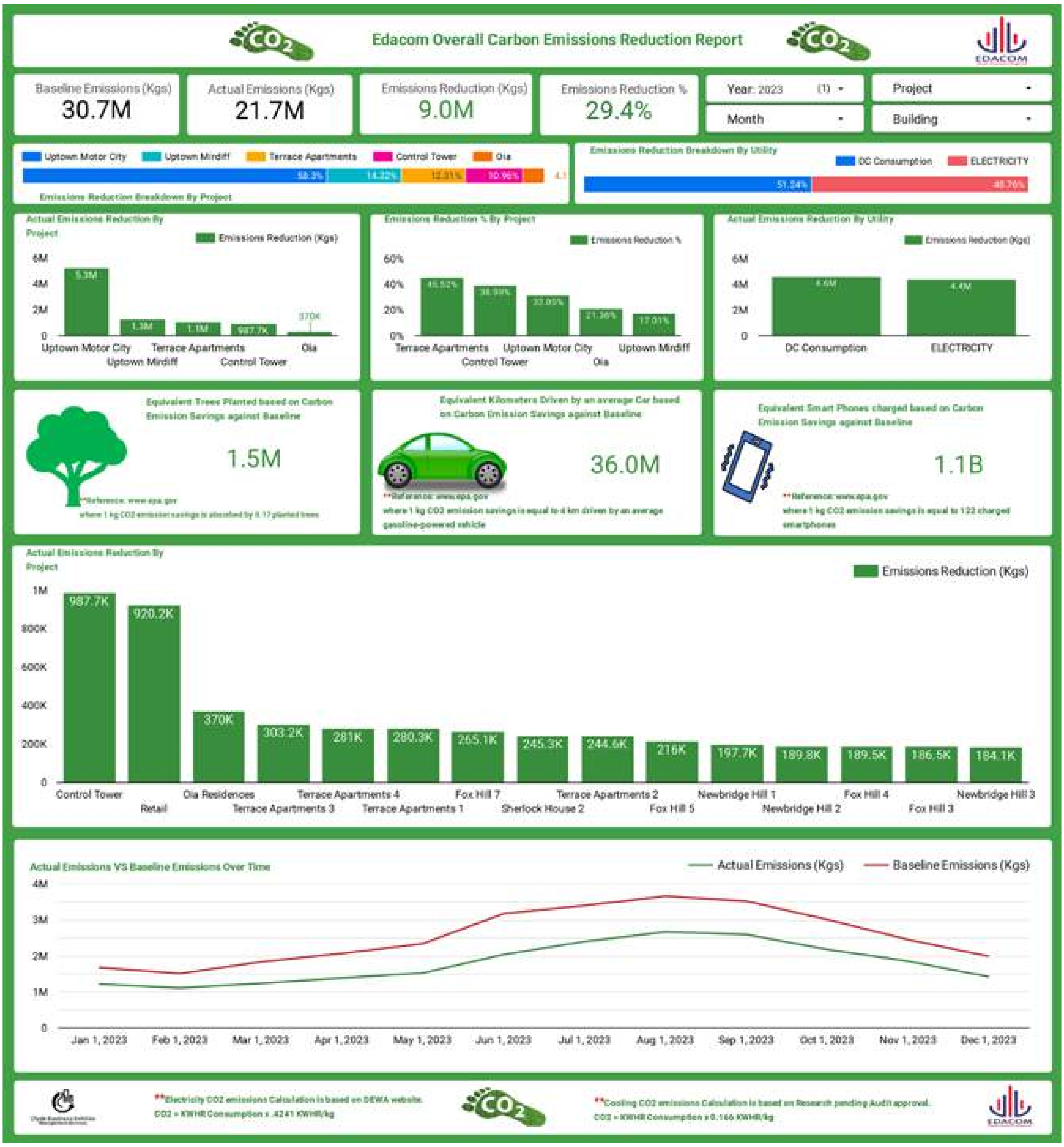
CARS REMOVED / YEAR
443

SMART PHONES CHARGED
250,082,814

EDACOM's efforts to reduce energy consumption and increase the use of renewable energy sources have contributed to a significant reduction in its carbon footprint. In 2023, they achieved an overall savings of AED 9 million which is a significant increase of more than 100% from 2022. These savings are a result of the company's initiatives to implement energy-efficient measures and a new regime in the ETS rooms.

EDACOM are progressing heavily with two solar projects, 1.2MW project at Uptown Mirdif and a 0.5MW project at the Cold Stores. The installation of these solar projects is on schedule to be completed before Q4 of 2024, further contributing to the use of clean energy, and reducing the company's carbon footprint.

The company's emissions report demonstrates a saving of 21.7 million Kgs of carbon from the environment. Based on recognised calculations.



Sustainable Material & Purchasing

Our approach to sustainability extends beyond energy efficiency and into the materials and procurement processes we employ. We are committed to a comprehensive green procurement plan that ensures sustainability is woven into every aspect of our operations.

We have developed a green procurement strategy that involves close collaboration with our clients, ensuring that our projects adhere to the highest standards of environmental responsibility. This strategy is not just about fulfilling contractual obligations; it is about leading the way in sustainable development practices.

An example of our commitment is evident at ServeU, one of our key subsidiaries. In 2023, ServeU undertook a significant initiative to replace over 100 units containing R22 refrigerant gas with environmentally friendly alternatives like R32, R1343A, and R410 refrigerants. This not only aligned with global environmental standards but also demonstrated our proactive approach to reducing our ecological footprint.

Our dedication to sustainability is further exemplified in our joinery operations. THE FITOUT, another subsidiary, is committed to using green materials and eco-friendly practices. This includes sourcing sustainable timber and other materials that meet environmental standards, ensuring that our constructions are not only aesthetically pleasing but also environmentally sound.

When selecting suppliers and materials, we consider the entire lifecycle impact of products. This includes analysing the sourcing, usage, and end-of-life disposal to ensure that every aspect of our supply chain contributes to our sustainability goals.

We invest in training our procurement teams and stakeholders in sustainable purchasing practices. This ensures that everyone involved in our procurement processes is aware of our sustainability goals and is equipped to make decisions that align with these objectives.

Adding to our sustainable practices, GMAMCO's adoption of advanced technologies in 2023 has led to significant energy savings and a reduction in CO_2 emissions. By transitioning to more energy-efficient processes, we have achieved a notable decrease in our carbon footprint. This strategic move reflects our commitment to not only enhance operational efficiency but also to contribute proactively to our sustainability targets.

Moving forward, we are exploring further opportunities to expand our sustainable procurement practices. This includes engaging in more partnerships with suppliers who are leaders in sustainability and integrating innovative technologies that can help track and ensure the sustainability of our supply chain.

Urban Forestation

Strong emphasis is placed on environmental sustainability, particularly through the integration of urban forestry in existing communities & future developments. Advanced landscaping initiatives are underway to enhance the green spaces within current communities, contributing to an improved environmental quality & aesthetic.

This commitment is deepened with a focus on sustainable practices from the planning stage. Central to this is the use of timber sourced in compliance with Forest Stewardship Council (FSC) standards, ensuring responsible forest management and sustainability in construction materials. This approach not only adheres to environmental stewardship but also aligns with our goal of enhancing community well-being and ecological health in every aspect of our development.

In 2023 ServeU's commitment to environmental sustainability, made significant strides in enhancing green spaces and managing waste responsibly. The team successfully planted 140 Palm trees, 400 Ornamental trees and 120 Olive trees enhancing the aesthetics and environmental quality of urban areas. These trees not only beautify the surroundings but also contribute to air purification and urban biodiversity.

Waste Management & Recycling

ServeU achieved a significant milestone in recycling in 2023. The responsible disposal of approximately 250 kg of cardboard waste from their office was a step towards minimizing their environmental footprint, encouraging material reuse, and reducing landfill waste. Furthermore, ServeU's handling of 18,400 kg of metal scrap is another highlight of their recycling achievements. This effort not only contributed to organizing workspaces but also played a vital role in resource conservation. By recycling this substantial amount of metal, ServeU effectively reduced the need for virgin material extraction, conserving energy, & reducing greenhouse gas emissions.

In a parallel effort, THE FITOUT's approach to waste management shows their commitment to environmental sustainability. Central to their operations is a robust waste management system, emphasizing waste prevention, reduction, reuse, and recycling. This system is augmented by comprehensive waste tracking and documentation, ensuring that environmental protection is maintained throughout every stage of operation.

Company - Specific Initiatives

Collaboration with AGMC & Contribution to COP28

A pivotal aspect of their ESG achievements was the collaboration with their partner AGMC, particularly during COP28. AGMC played a crucial role by utilizing their electric fleet for the transportation of VIP delegates at the 2023 United Climate Change Conference held in the UAE. This initiative was supported by the installation of 20 EV charging stations at Dubai Autodrome, powered by our 2.8 MWp solar power project. These stations catered to the e-mobility fleet of BMW cars during the conference, aligning with our goal of promoting sustainable practices.

Post-COP28, these charging stations Nations continue to serve BMW AGMC customers, ensuring ongoing access to eco-friendly charging facilities. This enduring contribution signifies their commitment to long-term sustainable practices & the promotion of e-mobility in the region.

Reduction in Electrical & Water Consumption

EDACOM's commitment to sustainability is evident in its successful reduction of electrical and water consumption. In 2023 alone, the company achieved a remarkable 29% reduction in emissions, equivalent to 14.7 million kilograms. Over a three-year span, EDACOM's efforts have cumulatively led to a remarkable reduction of 23.7 million kilograms of emissions, translating into a financial saving of AED 13.8 million.

Implementation of Online e-Service Modules

As part of its commitment to sustainability, EDACOM has embraced digital transformation by implementing advanced online e-service modules, fostering a paperless management environment. This strategic move empowers community members to efficiently manage service requests, track progress, access property details, communicate, and make online payments. This initiative significantly reduces paper usage and minimizes the necessity for physical office visits, aligning with EDACOM's environmental objectives.

Collaboration for WELL Health- Safety Rating

EDACOM's commitment to the well-being of the communities it serves is exemplified through its collaboration with Delos to attain the prestigious 'WELL Health-Safety Rating' certification from the International WELL Building Institute (IWBI). Anticipated in the first quarter of 2024, this certification underscores EDACOM's unwavering dedication to safeguarding the health & safety of the communities under its management.

Enhancements in MotorCity

In 2023, EDACOM took significant strides towards environmental sustainability within MotorCity. One of our noteworthy achievements was the comprehensive upgrade of lighting systems across the community, transitioning to energy-efficient LED lighting.

This initiative not only contributes to their commitment to environmental responsibility but also elevates the overall ambiance of MotorCity. Residents can now enjoy better visibility during evening hours, and our communal areas are illuminated with a warm and inviting glow. This transition not only enhances safety but also aligns with their focus on energy efficiency, reducing our carbon footprint.

Another crucial environmental endeavour EDACOM undertook was the upgrade of Centralized Chilled Water (CHW) insulations in various buildings. This strategic move not only enhances energy efficiency but also reduces utility costs for the residents in MotorCity. By investing in energy-efficient solutions, they are actively working towards a greener future for MotorCity.

Achieving ISO 50001 Certification in 2023

In 2023, ServeU achieved a significant milestone by obtaining ISO 50001:2018 certification. This achievement underscores our unwavering commitment to enhancing energy performance and advancing our energy management practices.

ISO 50001:2018 is a globally recognized standard designed to guide organizations in developing a systematic approach to improve energy performance, efficiency, and sustainability. This certification serves as a testament to our dedication to reducing energy consumption, minimizing our environmental impact, and actively contributing to a more sustainable future.

ServeU's pursuit of ISO 50001:2018 certification complements our existing certifications in ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 41001:2018, ISO 30401:2018, and ISO 22301:2019. This achievement showcases our unwavering commitment to continually enhancing our integrated management system, aligning with global best practices, and striving for excellence in all aspects of our operations.

The ServeU AI TaskMaster App

Introducing the ServeU AI TaskMaster app, powered by ChatGPT, as part of their commitment to environmental sustainability. Developed in-house, this transformative application integrates advanced technologies to optimize facilities management operations. With a focus on enhancing efficiency, reducing costs, and improving client satisfaction, the app reflects ServeU's dedication to innovation. Notably, the app offers multilingual support, breaking language barriers and adhering to SFG20 standards. This achievement underscores ServeU's ongoing efforts to lead in the evolving facilities management landscape, aligning with its mission to provide exceptional services while prioritizing environmental responsibility.

Introducing Our Robot Team

As part of their sustainability initiative, ServeU introduced a team of advanced cleaning robots at Abu Dhabi Airport. Leo-mop, known for its eco-friendly cleaning, offers 10 hours of operation, a 2-hour charging time, and silent operation. Rex, designed for large areas, covers up to 4000 sqm/hour, reduces water consumption by 48%, and boasts a 3D Lidar Range of 200 meters. LionsBot introduces mobile app management for up to 8 robots, providing real-time data on status, cleaning, and more. These robots enhance efficiency and sustainability at Terminal A, Abu Dhabi Airport, marking a significant step in our environmental efforts with plans for further expansion in 2024.

Technological Advancements in Operations

In a significant stride towards our sustainability goals, GMAMCO's integration of energy-efficient laser cutting machines in 2023 has been a significant change. The transition has not only elevated the quality output but has also led to a substantial increase in productivity — delivering the work of two plasma cutting machines in a single day. This enhancement aligns with their ethos of resource efficiency, reducing energy consumption by an estimated 53,801 kWh annually. To contextualize the environmental impact, this saving translates to the equivalent of planting 3,000 trees each year, affirming our commitment to contributing positively to the environment.

The addition of laser welding machines marks a leap forward in their manufacturing precision and energy efficiency. This innovative approach to welding underlines their dedication to minimizing energy dispersion and lowering emissions. By focusing on processes that are both human-friendly & environmentally conscious, GMAMCO demonstrate their commitment to sustainable production practices. The introduction of this technology is a testament to GMAMCO's continual pursuit of technological advancements that support environmental objectives and operational excellence.

Environmental Compliance & Sustainability Initiatives

THE FITOUT demonstrates a strong commitment to environmental sustainability, evidenced through its rigorous stack emission testing and air quality monitoring practices. Regular intervals of monitoring ensure that their operations have a minimal impact on the environment, reflecting an unwavering dedication to environmental stewardship. This approach is critical for maintaining high air quality standards and reducing emissions, a cornerstone in their environmental strategy.

THE FITOUT is also actively developing an advanced energy management system in line with the environmental and sustainability policies of the UAE. This initiative highlights their proactive role in efficient energy use and supports national sustainable energy management goals. Moreover, the management at THE FITOUT places a significant emphasis on identifying and mitigating risks associated with climate change, ensuring that operational aspects are consistently evaluated for environmental impact.

Sustainable Timber Sourcing in Fit-Out Operations

In THE FITOUT operations, a key focus is on sourcing timber that meets Forest Stewardship Council (FSC) standards. This approach aligns with our group's commitment to environmental sustainability & responsible sourcing. By ensuring our timber is from sources that adhere to FSC standards, we contribute to the preservation of forest ecosystems & uphold ethical timber production practices.

This strategy extends through our supply chain, emphasizing the importance of sustainable practices & responsible sourcing at every level. Collaborating with suppliers who meet FSC standards not only reflects our dedication to reduce environmental impact, also reinforces our broader commitment to responsible business practices & environmental stewardship.

SOCIAL

Our social responsibility goes hand in hand with our commitment to creating exceptional real estate developments. We recognize that buildings are not just structures but spaces where communities thrive. Our projects are designed to foster social interaction, cultural expression, and community engagement. We prioritize safety, inclusivity, and accessibility in all our developments. Our commitment extends to the well-being of our employees and the communities we serve, with initiatives aimed at education, skill development, and supporting local businesses. Our approach is people-centric, ensuring that each project we undertake enhances the lives of those who interact with it.

Leadership and Industry Collaboration

In line with our unwavering commitment to social responsibility, Union Properties actively collaborates with industry leaders and key stakeholders. We believe that meaningful engagement is crucial to drive positive change in our industry. Recently, our esteemed Board Member & Managing Director, Eng. Amer Khansaheb, played a pivotal role in this endeavour by participating in the prestigious Big 5 Global Leaders' Summit.

During this summit, Eng. Amer Khansaheb shared invaluable insights on the theme of 'Empowering the future of construction.' His participation alongside other influential figures from the construction sector demonstrated Union Properties' dedication to shaping the future of the industry and addressing its complex challenges.

Sustainability Initiatives and Partnerships

Furthermore, during the Big 5 conference, Mr. Khansaheb had a significant encounter with a consultant group specializing in promoting carbon-neutral communities. Recognizing the importance of sustainability, Mr. Khansaheb extended an invitation to these consultants to visit Union Properties' Head Office. During their meeting, he explained our vision for launching a Villa project in Motor City with the aim of creating a carbon-neutral community. The consultants expressed keen interest in our initiative and committed to providing their proposal in Q1 of 2024. This collaborative effort exemplifies our proactive approach to environmental sustainability and our dedication to driving innovation in the real estate sector.

Suppliers

At the group level, we prioritize strong supplier relations, emphasizing efficiency, sustainability, and responsibility.

We employ system-oriented approaches to streamline outsourcing requirements, ensuring seamless collaboration between our procurement management team & our subsidiaries. This approach enables us to address the diverse vendor category needs, totaling approximately 1500+, for operational support.

Our commitment to green procurement extends across our group. Green procurement involves acquiring products, services, labour, or consulting with the least negative effects on the environment, human health, and safety, as well as those with a positive environmental impact.

Our comprehensive green procurement plan is implemented collaboratively with our clients and in compliance with contractual obligations across our group. We advise our clients to replace systems with eco-friendly alternatives whenever possible. For instance, at ServeU in 2023, we replaced more than 100 units containing R22 refrigerant gas with environmentally friendly options like R32, R1343A, and R410 refrigerants.

Sustainability remains a top priority in our joinery operations. THE FITOUT's commitment to green materials and eco-friendly practices reflects our dedication to sustainable and environmentally responsible operations.

Community

In Feb 2023, as a group we actively supported earthquake relief efforts in Syria & Turkey. Donation boxes were placed in our offices from February 20th to 27th, 2023. Staff generously contributed clothing, blankets, hygiene items, & more. We sorted & distributed donations to ensure they reached those in need, reflecting our commitment to social responsibility.

In alignment with our commitment to social responsibility & environmental stewardship, we & all our subsidiary companies actively participated in a beach clean-up initiative organized by the Dubai Municipality. This commendable event took place at Secret Beach on the 10th of March 2023, with our dedicated team enthusiastically joining hands for the cause.

Our participation in the beach clean-up event exemplifies our ongoing commitment to corporate social responsibility to creating a cleaner, more sustainable environment for the benefit of our community & the broader ecosystem. We remain resolute in our efforts to contribute positively to the society we serve & protect the natural treasures.

Embracing the spirit of Ramadan, Union Properties and its subsidiaries hosted Iftar events, underscoring our commitment to community engagement and cultural respect. These gatherings were not just about sharing a meal; they served as a platform for strengthening bonds among our employees, clients, & the broader corporate community.

These Iftars provided an opportunity for team members across various levels, clients, & stakeholders to come together in a setting that celebrated cultural diversity and mutual respect. These Iftars provided an opportunity for team members across various levels, clients, & stakeholders to come together in a setting that celebrated cultural diversity and mutual respect. By facilitating these inclusive events, we aimed to foster a sense of belonging and unity, essential components of our corporate culture. These gatherings also allowed us to show appreciation to our clients & team members, reinforcing the strong relationships that are vital to our success.

In a collaborative effort with Dubai Police, we hosted a vibrant 'Back to School' event at our Uptown Mirdif Mall, creating a fun-filled and engaging experience for the community. Families and children gathered at Uptown Mirdif Mall to celebrate the start of a new school year.

This event exemplified our commitment to community engagement and fostering positive relationships with local authorities like Dubai Police. It provided an opportunity for families to come together and enjoy various activities.

Employee Engagement and Wellbeing

During the Ru'ya Careers UAE Redefined-2023 event held at the Dubai World Trade Centre, we received around 200 CVs from a diverse pool of candidates, including senior students, university students, freshly graduates, and experienced professionals. The presence of our C-level executives and GMs during the event was highly appreciated and reinforced our commitment to fostering talent. We look forward to participating in similar events in the future, continuing to bless the commitment and contributions of our team members.

At Union Properties, we prioritize the wellbeing and development of our employees. On May 18th, 2023, we organized a successful 'Stress to Strength' workshop, a collaborative effort between our HR and Marketing departments. This workshop was specifically designed to support the mental and emotional wellbeing of our employees. The workshop aimed to provide valuable insights and tools for managing stress and building resilience. It was a testament to our commitment to nurturing a healthy and productive work environment where our employees can thrive both personally and professionally. We recognize that the wellbeing of our team members is integral to our overall success, and initiatives like these underscore our dedication to their welfare.

Customers

In the ever-evolving real estate industry, shifting customer preferences are fuelling a wave of innovation. Amer Khansaheb, Managing Director of Union Properties, highlights the significance of understanding these evolving preferences, which encompass factors such as location, property design, technological features, and environmental considerations. These preferences directly influence our property demand, value, and the overall market direction.

Dubai's Real Estate Market has seen remarkable growth, with an impressive 80% increase in transaction values during the first quarter of 2023. The market caters to diverse customer needs, including sustainability, technological advancements, and changing lifestyles. In response, we are dedicated to enhancing the quality of life for our customers. This commitment involves delivering exceptional living conditions while adhering to global standards & implementing sustainable practices.

The real estate sector is currently undergoing a surge of innovation, changing consumer demands. We are proactively adapting to these changes, with a focus on creating flexible properties that align with evolving market dynamics.

Key Factors in 2023

Throughout 2023, Union Properties has made significant strides in enriching our human capital, as evident by the key metrics reported. Our total employee count has grown to 8,485, reflecting a robust increase and demonstrating our expanding operations. The diversity of our workforce has been a particular point of pride, with the number of nationalities represented within the group increasing to 45, enriching our corporate culture with a variety of perspectives and experiences.

The female employment ratio experienced a re-adjustment to 15.52% in 2023. This change is reflective of our ongoing efforts to optimize the structure of our workforce and ensure alignment with our strategic objectives while remaining committed to supporting gender diversity.

The representation of UAE Nationals within our workforce remains consistent, aligning with our goal of contributing to the local economy and talent pool.

A notable shift has been observed in our gender pay ratio, which has a reversal to -10.00%. This indicates a higher average compensation for female employees compared to their male counterparts, which is reflective of the roles & levels of seniority occupied by women within the group.

Employee turnover has seen a decrease to 24.87% in 2023, down from 36% the previous year. This improvement is a testament to our enhanced focus on employee engagement and retention strategies, fostering a work environment that values and supports our employees' growth and well-being.

Our HR initiatives are structured to advance our dedication to creating a diverse, inclusive, and supportive workplace that drives performance and innovation, ensuring Union Properties continues to attract and retain top talent while upholding our commitment to equality and sustainability.

S. No.	DETAILS	As per 2020 ESG Report	As per 2021 ESG Report	As per 2022 ESG Report	2023	TREND
1.	Total No. of Employee	+6.9 K	+7K Employees	7209	8485	▲
2.	Number of Nationalities	+25	+25	40	45	▲
3.	CEO Pay Ratio	7.21%	7.21%	Vacant	Vacant	▶
4.	Female Employment Ratio	28.79%	46.66%	18%	15.52%	▲
5.	% of UAE Nationals	+5%	+3%	2%	2%	▶
6.	Gender Pay Ratio	47.34%	48.27%	1.40%	-10.00%	▲
7.	Employee Turnover	28.16%	30%	36%	24.87%	▶

Company-Specific Initiatives

Sustainable Community Contribution

In 2023, Dubai Autodrome significantly contributed to the community's energy needs by feeding 2,053,820 Kilowatt-Hours of power generated from solar panels back into the public electricity system. This initiative underscores Dubai Autodrome's commitment to both sustainable practices and community welfare. The company's approach to social engagement through sustainable energy contribution aligns with its vision of being a responsible corporate citizen, deeply invested in the socio-economic well-being of the communities it serves.

The Hankook 24H Dubai Event

Dubai Autodrome, upholding its reputation as the 'community circuit,' made a significant stride in its CSR initiatives by offering complimentary access to all enthusiasts during the Hankook 24H Dubai event. This inclusive approach fostered a substantial turnout, with 20,959 fans registering, marking it as one of the most attended events in recent times.

Community Engagement & Diversity

EDACOM has demonstrated a strong commitment to community engagement and diversity. The company actively fosters connections with residents and stakeholders, participating in local events and encouraging employee volunteerism. Its human rights framework emphasizes promoting a diverse, equitable, and inclusive work environment. EDACOM's future include enhancing community involvement by hosting events with local businesses, further supporting local economies and showcasing its dedication to sustainable business practices.

Landscaping Improvements

EDACOM, understand the importance of fostering a sense of community well-being and tranquillity. In 2023, in conjunction with ServeU's dedicated landscaping team they embarked on a mission to revitalize MotorCity's green spaces. The results have been nothing short of remarkable. They introduced new plants, trees, and optimized layouts, creating a more enjoyable and relaxing atmosphere for our residents. These improvements offer residents the opportunity to connect with nature, engage in outdoor activities, and unwind amidst the serene beauty of MotorCity. The enhanced landscaping not only promotes social well- being but also significantly contributes to the aesthetic appeal of our community.

Cricket Tournaments

ServeU proudly organized a memorable cricket event at the prestigious Dubai International Stadium in December 2023, in collaboration with the Dubai Municipality. This initiative reflects ServeU's commitment to not only providing excellent services but also actively participating in community-building activities. Attendees, including employees, partners, and supporters, gathered to witness thrilling matches and enjoy the camaraderie that sports can foster. This event exemplified our dedication to community engagement, promoting a healthy lifestyle, and the well-being of our employees and stakeholders. ServeU continues to seek opportunities to contribute positively to society while enhancing the overall experience for our team and clients.

Enhancing Customer Experience Through Technology

ServeU's launch of the innovative Operational Customer Experience Hub marks a significant advancement in customer service. This facility, integrating the customer service team with digital and data experts, serves as a crucial point for managing customer interactions and digital initiatives. The hub enhances ServeU's operational efficiency and customer service quality, demonstrating the company's commitment to leveraging technology for improved customer experiences.

Supporting Communities During Ramadan

EDACOM has demonstrated a strong commitment to community engagement and diversity. The company actively fosters connections with residents and stakeholders, participating in local events and encouraging employee volunteerism. Its human rights framework emphasizes promoting a diverse, equitable, and inclusive work environment. EDACOM's future include enhancing community involvement by hosting events with local businesses, further supporting local economies and showcasing its dedication to sustainable business practices.

Commitment to Employee Development

GMAMCO enhanced employee engagement and development through a series of initiatives, including team- building activities like visits to the Grand Mosque and park outings, coupled with the distribution of Ramadan treats, effectively boosting morale, and fostering a cohesive work environment. Complementing these activities, our targeted training programs in efficient resource utilization and recycling have not only upskilled our workforce but also reinforced our commitment to sustainable practices, underlining our dedication to continuous improvement and employee well-being.

Mental Health Seminar

THE FITOUT demonstrates its commitment to employee welfare through initiatives like the Mental Health and Wellbeing seminar. Recognizing the challenges faced by employees, especially those distant from their families, this seminar provided essential support and coping strategies for everyday stressors. This initiative underscores THE FITOUT's dedication to the holistic health and safety of its workforce, prioritizing mental well-being alongside physical health.

Office and Warehouse Upgrades

THE FITOUT has made significant strides in enhancing employee well-being through thoughtful office and warehouse improvements. The office redesign adopts an industrial style with green touches, creating a cozy and positive ambiance conducive to employee satisfaction and productivity. Each employee enjoys a spacious work area, equipped with proper ventilation and lighting to ensure comfort and health. The leisure area, featuring seating, cushions, and space for recreational activities. Additionally, the pantry has been upgraded with ample amenities including extra seating, microwaves, kettles, a Nespresso machine, and a large refrigerator, catering to the staff's comfort during breaks.

In the warehouse, THE FITOUT has focused on organization and safety, key aspects of employee well-being. Materials and tools are well-organized and labeled for easy access, enhancing efficiency, and reducing stress. The installation of wide ladders on racks with high railings ensures safety, preventing accidents and providing clear walking spaces. Moreover, unused items are thoughtfully stored to prolong their shelf life, reflecting THE FITOUT's commitment to both resource management and employee safety.

Company Awards & Recognition

Exceptional Contribution Award

- Union Properties is proud to have received the Exceptional Contribution Award at the REM Times Realty Confex & Awards. This prestigious accolade is a testament to our continuous commitment to excellence in the real estate industry.
- This recognition reflects our dedication to innovation and sustainability in all aspects of our operations. It serves as a reminder of our ongoing efforts to create a positive impact on communities & the environment through our real estate endeavours.

Top 50 GCC Developers of the Year

Union Properties has received recognition as one of the top 50 GCC Developers for the year 2023 by Construction Week Magazine. This acknowledgment underscores our consistent commitment to excellence and innovation in the real estate sector. We have a track record of delivering outstanding projects that surpass industry standards, reflecting our dedication to quality and sustainability.

TripAdvisor Travelers' Choice Award

- Dubai Autodrome has proudly received the esteemed 2023 TripAdvisor Travelers' Choice Award. This remarkable achievement underscores our unwavering commitment to delivering exceptional services and upholding a management system that consistently provides top-tier experiences for our valued visitors.
- Dubai Autodrome's consistent success in earning the TripAdvisor Travelers' Choice Award reflects our steadfast dedication to realizing this vision & maintaining the highest standards of quality & customer satisfaction.

FM Company of the Year Award

ServeU was recognized as the "FM Company of the Year" at the Innovation in Facilities Management awards by CBN. This accolade reflects ServeU's commitment to excellence in the facilities management sector, showcasing its leadership and dedication to quality service delivery.

FM App of the Year Award

ServeU was acknowledged with the "FM App of the Year Award" at the Innovation in Facilities Management awards hosted by CBN. This award signifies ServeU's innovative approach in leveraging technology to enhance facilities management services, highlighting the company's forward-thinking strategies in integrating digital solutions for improved efficiency and customer service.

Cleaning Company of the Year Award

At the Middle East Cleaning, Hygiene, and Facilities Awards, ServeU was honoured with the "Cleaning Company of the Year Award." This recognition emphasizes ServeU's excellence and leadership in the cleaning industry, showcasing their commitment to maintaining high standards of hygiene and cleanliness in their facilities management services.

MEP Service Provider of the Year Award

ServeU has been distinguished as the MEP Service Provider of the Year at the prestigious CBNME MEP Awards 2023. This esteemed recognition highlights our unwavering dedication to delivering superior Mechanical, Electrical, and Plumbing (MEP) services in the facilities management industry. Our success is rooted in a consistent approach to excellence and innovation, which is evident in our ability to secure significant contracts & deliver services that set benchmarks in industry.

Excellence in Training Award

ServeU was awarded the "Excellence in Training Award" at the Middle East Cleaning, Hygiene, and Facilities Awards. This award highlights ServeU's commitment to professional development and training excellence, underscoring their dedication to enhancing the skills and expertise of their workforce in the facilities management sector.

NAKHEEL Name Best Cleaning Company

ServeU was named the 'Best Cleaning Company of the Year' in the UAE by NAKHEEL, among all cleaning service providers in Nakheel communities. This distinction underscores ServeU's exceptional service quality and proficiency in cleaning services, reflecting their leadership and excellence in maintaining high standards of cleanliness and hygiene across the communities they serve.

Fit-Out Leader of the Year Award

THE FITOUT received the "Fit-Out Leader of the Year Award" at the Design Middle East Awards, hosted by CBN. This accolade highlights THE FITOUT's exceptional capabilities and innovative approach in the fit-out industry, marking their significant contributions to the interior design sector in the Middle East.

Highly Commended Best Retail Project of the Year Award

THE FITOUT was honoured with the "Highly Commended Best Retail Project of the Year Award" at the Design Middle East Awards hosted by CBN. This recognition reflects THE FITOUT's exceptional work and innovation in retail design, highlighting their impactful contributions to retail projects and the Middle East's design industry.

GOVERNANCE

Governance is a foundational element of our corporate identity. We are unwavering in our commitment to adhere to the regulatory standards set forth by the Dubai Financial Market (DFM) and the Securities and Commodities Authority rules and regulations (SCA). Our dedication extends beyond compliance; it embodies our values of integrity, transparency, and accountability.

Evolving Governance Structure

In 2023, we embarked on a transformative journey, transitioning from a traditional pyramid structure to a dynamic matrix framework. This evolution has significantly influenced our approach in 2024, underscoring our progressive approach to governance. We have also integrated a self-assessment tool from the Dubai Sustainable Finance Working Group, strengthening our ESG framework and affirming our leadership in governance and corporate responsibility.

Centralization for Efficiency

To enhance efficiency and operational excellence, we initiated centralization efforts across various group support departments, including finance and procurement. This strategic centralization has brought multiple advantages to our organization, including improved control, streamlined processes, enhanced compliance, standardized practices, and substantial cost savings. These initiatives reflect our commitment to optimizing our corporate structure and resource management to deliver sustainable value to our stakeholders.

IFRS Adoption Readiness

We initiated comprehensive preparations for the impending adoption of IFRS S1 and IFRS S2 standards. Our commitment to aligning with international financial reporting standards led us to assess the impact of these standards on our operations, financial statements, and reporting processes. We prioritized training and communication, ensuring our finance and accounting teams were well-informed about the changes and implications.

To support this effort, we evaluated our existing accounting systems, making necessary updates to accommodate the new requirements. Engaging with stakeholders, including investors, analysts, and regulatory bodies, was essential for maintaining transparency and clear communication during this transition.

We established a timeline for the adoption process, focusing on compliance with regulatory requirements. Testing and simulation exercises were conducted to assess practical implications. Thorough documentation of decisions, challenges, and solutions was diligently maintained throughout the process, aiding future reference and audits. Additionally, professional advice from accounting experts and industry consultants was sought to ensure a smooth transition.

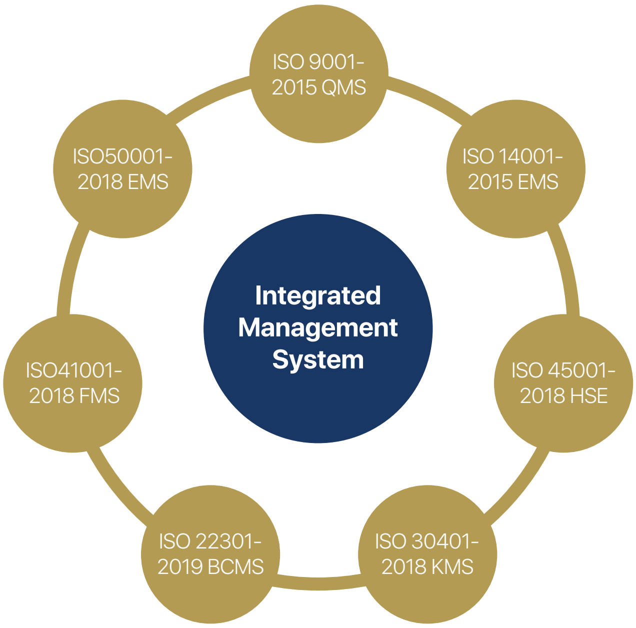
Corporate Governance Structure

Our commitment to corporate governance extends to prioritizing best practices and aligning with industry standards to safeguard stakeholder rights. We are dedicated to nurturing a corporate culture rooted in ethics and strengthening compliance-focused management.

Health, Safety & Risk Management

We are deeply committed to advancing our occupational health and safety performance, prioritising the well-being of our employees and stakeholders above all else. Our Integrated Management Systems framework serves as a strategic blueprint aligned with both international and national strategic directives, as well as our corporate values, goals, and objectives. Each initiative and program is meticulously designed to meet policy requirements and is implemented through a governed process, ensuring adherence to measured performance indicators.

The Integrated Management System

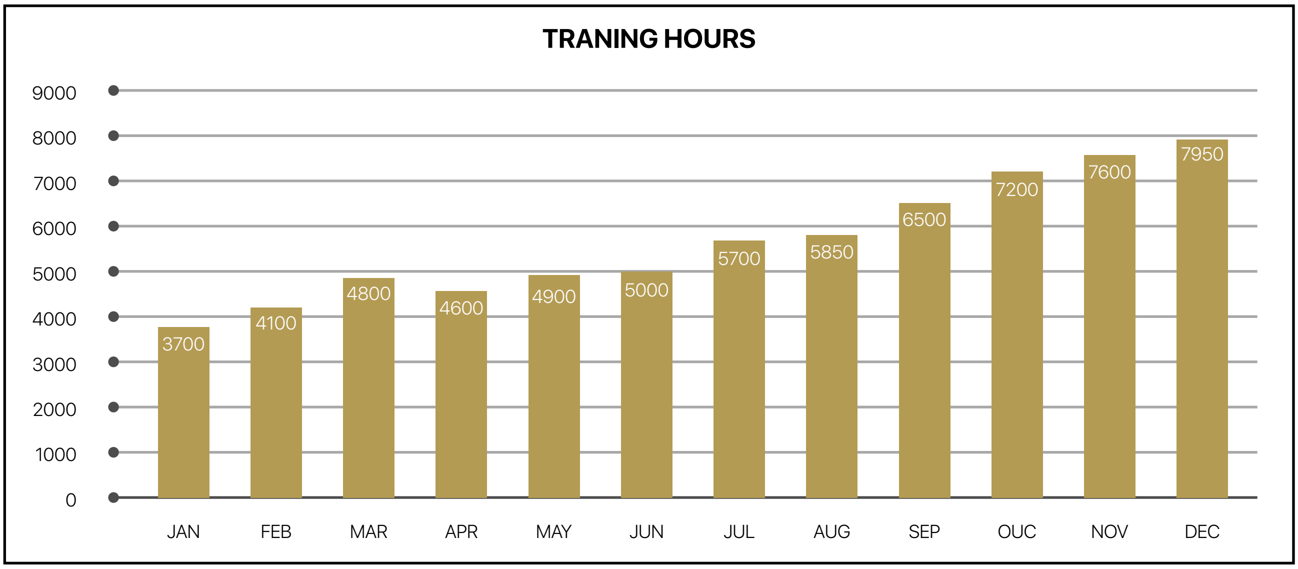


Occupational Health and Safety Incident Management

Adhering to ISO 45001-2018 standards, we have established a robust incident management policy to address Occupational Health and Safety (OHS) incidents comprehensively. All incidents are promptly reported and managed within our management system framework. Investigations are conducted at various levels to identify root causes and prevent recurrence, with findings and recommendations carefully monitored through mechanisms such as risk assessments, operational controls, and internal audits. Regular management reviews ensure a culture of continuous improvement is upheld.

OHS Training

Our training programs are tailored to cover standard operating procedures & relevant to the scope of activities, ensuring that all personnel are equipped with the necessary knowledge & skills to maintain a safe working environment.



Certifications

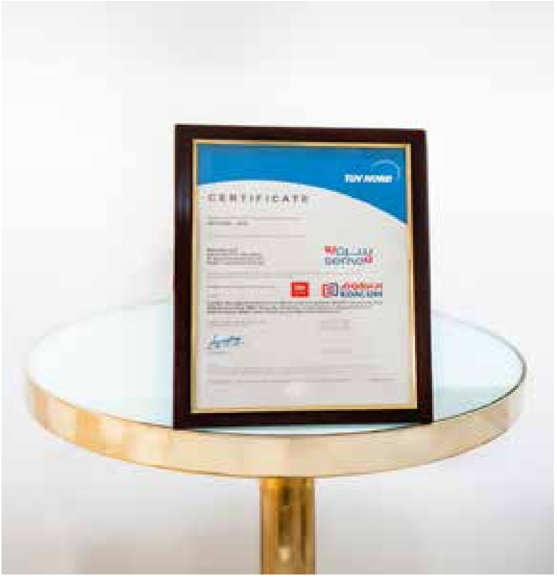
Our group commitment to achieving and maintaining various certifications stands as a testament to our dedication to quality, safety, and environmental stewardship. As a group, we have already attained multiple certifications including ISO 9001, ISO 45001, and ISO 14001, spanning across areas of quality management, environmental management, and occupational health and safety. These certifications affirm our adherence to international standards and best practices. Collectively, these certifications underpin our ongoing efforts to uphold the highest standards in all aspects of our operations, reinforcing our position as a leader in the industry.

ISO 50001:2018 Certification 2023

ServeU's Energy Management Department achieved ISO 50001 certification, a significant milestone that reflects the company's unwavering dedication to enhancing energy efficiency and sustainability. This certification underscores ServeU's commitment to implementing best practices in energy management, reducing energy consumption, and minimizing environmental impact. By obtaining ISO 50001 certification, ServeU demonstrates its leadership in responsible energy use and sets a benchmark for excellence in the industry.

ISO 41001:2018 Certification 2023

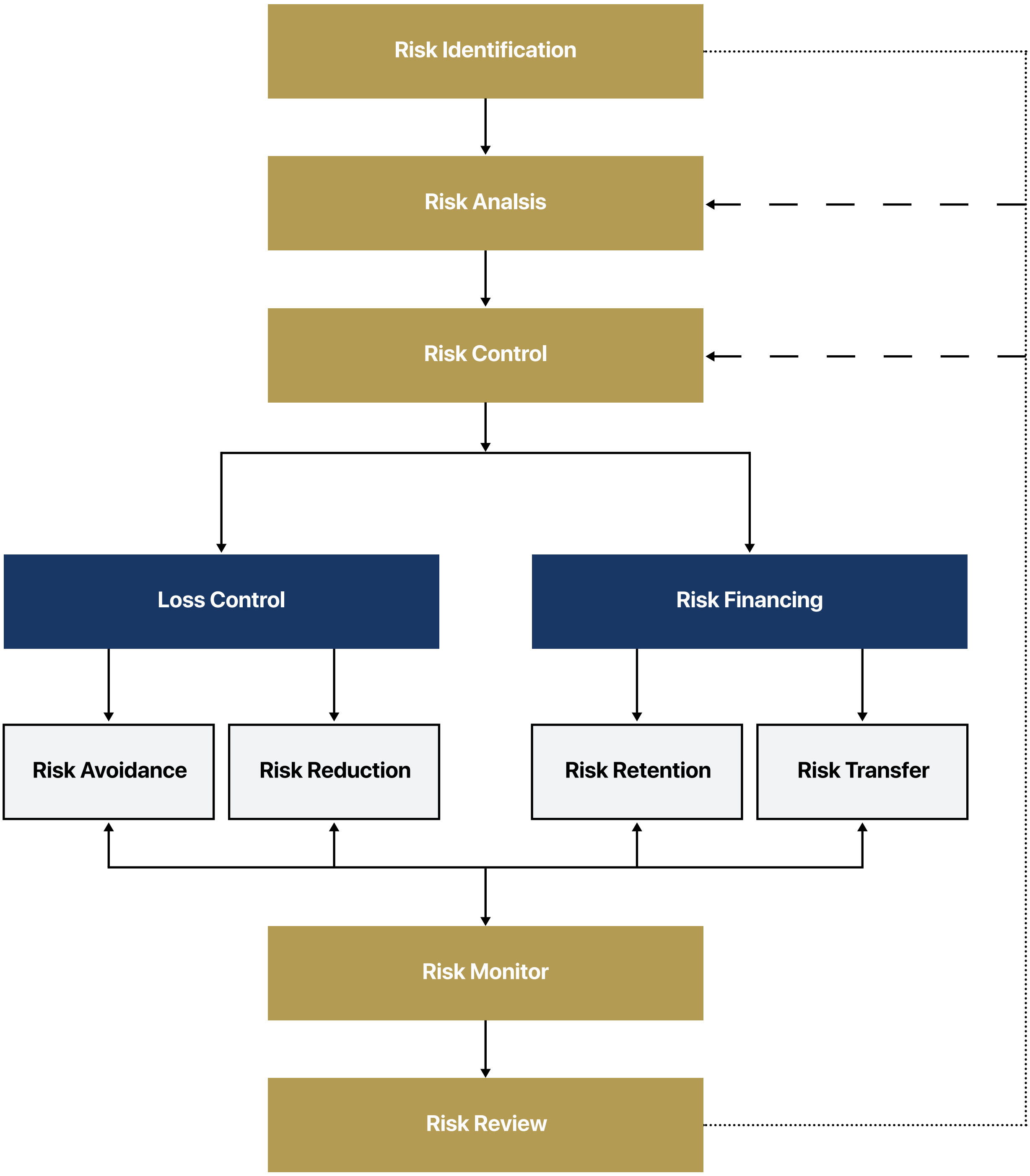
EDACOM and ServeU have jointly achieved the ISO 41001:2018 certification, marking a significant milestone in our commitment to excellence in facilities and community management. This certification is internationally recognized as the benchmark for robust facilities management systems, reflecting our sustained efforts to ensure operational excellence and quality service delivery.



The ISO 41001:2018 standard is not just an accolade but a driving force for ServeU and EDACOM, demonstrating our proactive stance enhancing the efficiency of our operational processes and the effectiveness of our service offerings. It underscores a unified approach to maintaining high standards and the delivery of value to our clients, fostering sustainable and efficient environments across our managed properties.

Risk Management

To ensure we effectively handle all our group's operations and activities, we've put together a solid risk management program, backed by a strong governance framework. We blend industry standards, guidelines, and models into our approach and prioritize building strong relationships with our stakeholders, appreciating their insights and values.



IT INITIATIVES & CYBER SECURITY

As part of our continued efforts to enhance our governance and operational efficiencies, 2023 saw the implementation of several key IT initiatives across Union Properties and its subsidiaries. These initiatives not only bolstered our technological infrastructure but also aligned with our commitment to environmental sustainability and security.

Azure Cloud Migration

In a significant leap towards digital transformation, we completed the migration of 15 critical servers to the Azure Cloud. This strategic move is in line with our sustainability goals, reducing our carbon footprint by an impressive 98 percent. A 2018 study by Microsoft highlights that cloud solutions can be up to 93 percent more energy-efficient and 98 percent more carbon-efficient compared to on-premises solutions. This efficiency is achieved through IT optimizations, hyperscale efficiencies, and the use of renewable energy in cloud infrastructures.

Biometric Device Implementation

In 2023, we integrated biometric devices to enhance security and operational efficiency. These systems provide a robust security framework through unique biometric identifiers, mitigating risks of unauthorized access and identity theft. The convenience and efficiency of biometric authentication streamline user experience, while also offering cost savings by reducing the need for traditional timekeeping methods. Additionally, the scalability and data accuracy of these systems ensure adaptability and reliability in our security infrastructure.

Vulnerability Assessment and Penetration Testing (VAPT)

To ensure the security and integrity of our IT infrastructure, we conducted a comprehensive Vulnerability Assessment and Penetration Testing (VAPT) exercise in 2023. This critical initiative helped us to identify potential vulnerabilities and reinforce our security measures. Regular VAPT exercises are crucial for protecting sensitive data, improving our overall security posture, and safeguarding our brand reputation against potential cyber threats.

COMPANY - SPECIFIC INITIATIVES

Surpassing Governance and Compliance Benchmarks

EDACOM, has demonstrated commendable progress in service delivery and compliance. In 2023, EDACOM's implementation of stringent control measures and a new monitoring platform led to improved Service Level Agreements (SLAs) and Key Performance Indicators (KPIs), enhancing client service quality. Furthermore, EDACOM's commitment to local regulations, particularly with RERA (Real Estate Regulatory Agency), resulted in a remarkable increase in its ranking. Looking ahead to 2024, EDACOM anticipates a further increase in ranking, exemplifying our group-wide dedication to governance excellence and regulatory compliance.

NFC-Powered Smart Asset Tagging

In December 2023, ServeU launched an NFC-Powered Smart Asset Tagging solution, a notable upgrade from traditional QR or Barcode systems. This initiative, integrated with the Microsoft Dynamics 365 platform, brings a transformative approach to asset management in facilities management (FM). NFC chips, used as discrete asset tags, align seamlessly with modern UAE buildings, offering a blend of aesthetics and functionality. The deployment of this technology has led to an improvement in operational efficiency, with a notable reduction in asset tracking and updating time by up to 30%.

2024 PROJECTS

EcoVadis Certification

Union Properties is exploring the adoption of EcoVadis, a global sustainability assessment platform. EcoVadis evaluates organizations across 21 criteria spanning four key areas: Environment, Labor & Human Rights, Ethics, and Sustainable Procurement. Its methodology aligns with international standards and incorporates regulations from over 160 countries. The assessment process is evidence-based, considers industry-specific factors, and involves diverse perspectives. Successful companies receive certifications with Platinum, Gold, Silver, or Bronze medals.

EcoVadis plays a significant role in promoting sustainable supply chain management in the UAE, as many large organizations in the region utilize it to ensure responsible business practices among their suppliers. Embracing EcoVadis certification can position businesses for success, enhance their market reputation, and attract environmentally conscious consumers while avoiding negative publicity and legal issues related to sustainability concerns. This potential project aligns with our commitment to sustainability and responsible business practices.

Aligning Policies and Procedures for 2024

As we move into 2024, we are actively reviewing and updating all policies and procedures across Union Properties and its subsidiary companies to align with the new Matrix Structure implemented in 2023. This strategic effort reflects our commitment to enhanced efficiency, collaboration, and responsiveness to evolving market dynamics. Our goal is to ensure that our governance framework remains robust and adaptable, fostering a culture of transparency and accountability.

Native Tree Planting Initiative

Inspired by the 'For Our Emirates We Plant' campaign, we plan to support a tree planting initiative in our communities in 2024. With the assistance of ServeU's landscaping department, we aim to make our communities greener & more sustainable.

Native trees are crucial for preserving the local ecosystem. They require less maintenance, support wildlife, and enhance biodiversity. Our tree planting initiative will contribute to carbon sequestration and combat climate change.

IFRS Adoption 2024

As we transition into 2024, we continue our readiness plans for the adoption of the IFRS S1 and IFRS S2 standards. Our focus remains on ensuring a seamless and compliant adoption process. Building on our groundwork in 2023, we are committed to addressing the specific challenges and opportunities presented by these international standards.

In the coming year, we will intensify our efforts to engage with stakeholders and provide ongoing training to our finance and accounting teams. We understand that keeping our teams well-informed and prepared is essential to the successful implementation of these standards. Additionally, we will continue to assess and refine our accounting systems and processes, making any necessary updates to ensure they align with the new requirements.

Transparent communication with stakeholders will remain a priority, and we will maintain open channels to address any queries or concerns. Our timeline for the adoption process will be rigorously followed, with a focus on compliance with regulatory timelines and requirements.

Testing and simulation exercises will continue in 2024 to further evaluate the practical implications of the new standards and fine-tune our approach. We will also sustain our commitment to thorough documentation, preserving records of decisions, challenges, and solutions throughout the adoption process. Seeking professional advice from experts in accounting and standards implementation, ensuring a smooth transition to IFRS S1 and IFRS S2

Paperless Process Implementation (2024)

Embracing environmental stewardship and operational efficiency, Union Properties is set to transition to a paperless environment for the whole group in 2024. This strategic move towards digitizing workflows, approvals, and documentation is aimed at reducing paper usage by 75%, significantly diminishing our ecological footprint. The initiative is not just a leap towards sustainability; it also promises enhanced efficiency and streamlined internal processes.

We are committed to training our workforce to adapt to this digital transformation, aiming for a high rate of proficiency in digital operations by the end of the third quarter. The implementation of this paperless process is projected to enhance operational efficiency by 40% and reduce paper-related waste by 60%, making a substantial contribution to our sustainability goals. This initiative is a crucial step in our journey towards integrating technology and environmental consciousness, reinforcing our position as a leader in sustainable real estate development.

Expansion of Sustainability Efforts Across Asset Classes

In the upcoming year 2024, EDACOM is set to embark on a new sustainability initiative that underscores its dedication to environmental stewardship. This initiative is designed to address aging assets and extend the successful sustainability achievements across diverse asset classes under EDACOM's management.

Building upon the company's track record of introducing upgraded machinery and equipment in collaboration with service providers in housekeeping and landscaping, this expansion initiative aims to further reduce the environmental impact across a broader spectrum of assets. By actively pursuing these sustainability objectives, EDACOM continues to demonstrate its commitment to environmental responsibility and the well-being of the communities it serves.

Implementing Mulching Machines for Sustainable Landscaping

As part of our ongoing commitment to sustainable landscaping practices, EDACOM is exploring the implementation of mulching machines in our communities. These machines will play a pivotal role, by efficiently converting organic waste into mulch that can be used to enrich garden beds and promote soil health.

Mulching not only enhances the aesthetic appeal of our landscapes but also offers several environmental benefits. It helps retain soil moisture, suppress weed growth, regulate soil temperature, and improve overall soil structure. By recycling organic waste materials such as leaves, branches, and grass clippings, we contribute to reducing landfill waste and minimizing our environmental footprint.

Our initiative aligns with our dedication to sustainability and responsible land management. We aim to create healthier, more vibrant green spaces within our communities while demonstrating our commitment to environmentally friendly landscaping practices.

Working with Enviroserve

In 2024, ServeU are looking to work with Enviroserve, a leader in environmental and waste management services, focusing on enhancing our environmental sustainability practices. Initially looking into the sustainable management of refrigerant gases, such as R22 and R410A, integral to our operations. Our goal is to achieve a reduction in our refrigerant carbon footprint by the end of the year.

In the past, our operations have involved significant use of these refrigerants. With this new initiative, we aim to improve our recycling and recovery processes. This effort will not only help in reducing the volume of gases used but also in minimizing potential leaks and emissions, contributing to a decrease in our environmental impact. Moreover, we are committed to training our team members in the latest sustainable practices, ensuring that environmental responsibility is a core value in our daily operations.

Strategic Office Relocation for Enhanced Sustainability

GMAMCO are relocating to a new, centrally located office aligned with our mission to minimize resource consumption and waste. The new office location will facilitate reduced fuel usage for commutes, contributing to a lower carbon footprint for operations. Further advancing our sustainability agenda, the building will be equipped with solar panels and smart technology systems, ensuring energy efficiency and adherence to our environmental goals. This initiative underscores our commitment to integrating sustainable practices into the fabric of our daily operations and reducing our overall environmental impact.

Pursuing Forest Stewardship Council (FSC) Certification

In 2024, THE FITOUT is embarking on a significant journey by pursuing Forest Stewardship Council (FSC) certification. This initiative reflects our strong commitment to responsible sourcing and environmental stewardship. FSC certification is globally recognized for responsible forest management, ensuring sustainable timber sourcing. Our pursuit of this certification aligns perfectly with our sustainability goals, emphasizing timber production & environmental preservation.

The pursuit of FSC certification in 2024 is a milestone for THE FITOUT, reaffirming our leadership in sustainability and our responsibility to future generations.

- Contact us -

Reach Out
To provide feedback or suggestions, please connect with us using the details below

Email:
contactdesk@up.ae

Address:
Dubai Investment Park 1, Jebel Ali, PO Box 9152, Dubai, United Arab Emirates

Phone:
8008 UNION (86466)

Social Media:

Head Office:
Union Business Park 1, Green Community East, Dubai Investment Park 1, P.O. Box 24649, Dubai, UAE

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Union Properties

GOVERNANCE REPORT 2023

Union Properties PJSC

Union Properties PJSC ("the Company") was established on 28/10/1993 as a Public Joint Stock Company pursuant to a Ministerial decree in the United Arab Emirates.

The Company's main activities include Real Estate Investment and development, property management and maintenance, including the operation of its own cold stores, real estate services, serving as a holding company for its subsidiaries, and joint venture investments.

The Company and its subsidiaries are referred to as the "Group." All of the Group's significant business and investment activities in securities, real estate, land, and financial derivative instruments are conducted in the UAE.

Over three decades, Union Properties PJSC has developed major residential, commercial, industrial and entertainment projects in the Emirate of Dubai.

Measures taken to complete the Corporate Governance System during 2023 and the Application Technique

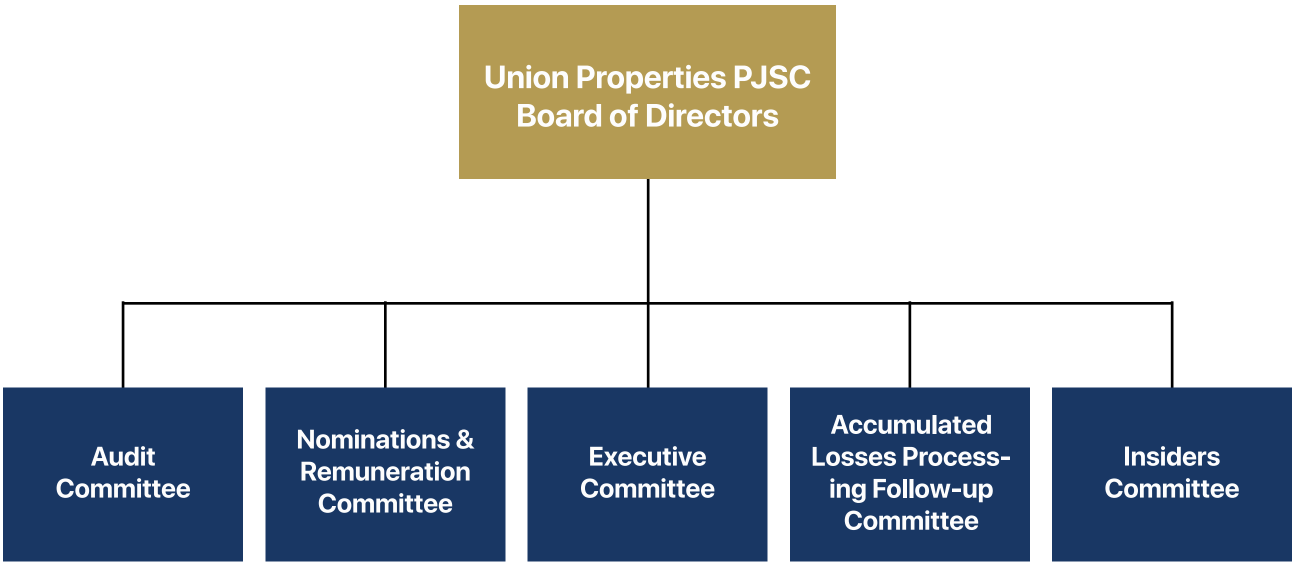
Union Properties PJSC is committed to applying the highest standards of corporate governance, driven by an integrated set of core values that combine professional ethics, institutional integrity, and international best practices in the field of compliance. The institutional values on which the company's framework is based are transparency, integrity, disclosure and accountability, which in their entirety represent an important reference for members of the Board of Directors, senior management and employees alike.

The corporate governance framework takes into account all the principles and standards specified and applied by the Securities and Commodities Authority (SCA) and the Dubai Financial Market (DFM) along with the provisions of Federal Law No. (32) of 2021 on Commercial Companies in determining trends and requirements of Union Properties PJSC.

Union Properties PJSC complies with the Chairman of SCA Chairman of Authority's Board of Directors' Decision no. (3/R.M) of 2020 concerning Approval of Joint Stock Companies Governance Guide, the Articles of Association of Companies, as amended, and Federal Law No. (32) of 2021 on Commercial Companies from time to time.

The figure below shows corporate governance structure developed and implemented by Union Properties, which aims to enhance good governance practices followed by the Company's Board of Directors & executive departments alike.

All of the above sub-units operating under the umbrella of "Union Properties" have an independent department responsible for implementing operations. However, they are supervised in terms of strategy, compliance, governance, risks, and audits by means of a standardized structure.



Board of Directors (Article 6 of Decision No. 3/R.M of 2020, as amended):

The Company shall be managed by a Board. Its Articles of Association shall determine the method of forming that Board, the number of its members, and its membership terms. It was determined that the Chairman and the majority of the Board of Directors would be Emirati nationals in order to meet the standards of Decision No. 3/R.M of 2020, as amended, regarding the formation of the company's board of directors of executive, non-executive, and independent members, as well as the appropriate skills, experience, and capabilities required for board membership. The Board of Directors also exercised its right to elect a managing director for management from among its members. The Board determined the managing director's powers and remuneration. The managing director is not permitted to be a CEO or general manager of another company.

Board Committees (Article 53 of Decision No. 3/R.M of 2020, as amended):
The Board of Directors has the authority to form Board committees and delegate powers to these committees as it deems necessary or appropriate. The Board also delegates certain tasks to these committees. This does not mean that the Board of Directors is exempted from responsibility for the activities, tasks and powers delegated to these committees. Board Committees are an effective means of distributing work among Board members to carefully consider specific issues in detail. All Board committees perform their duties on behalf of the Board of Directors. Thus, the Board of Directors is responsible for forming, appointing, selecting, and determining the term the of committees' membership. Each committee, once formed, shall be responsible before the Board of Directors for its activities. This does not mean relieving the Board of Directors of responsibility for the activities, tasks, and powers delegated to the committees. The Board of Directors must guarantee that the members of the Board committees are appropriately composed, qualified, & have the proper powers.

Audit Committee (Articles 60 and 61 of Decision No. 3/R.M of 2020, as amended):
The Board of Directors has formed a permanent committee called the Audit Committee. The members of this committee shall have the appropriate experience and competence, and at least one of them must have experience and knowledge in financial and accounting matters. The committee oversees the integrity of the company's financial statements, recommends changes in accounting policies and practices required for the company's control and financial systems, appoints third-party auditors, and ensures that the laws and the company's articles of association are applied. The committee meets with the auditor to examine the nature and extent of the audit process, as well as its efficacy in line with the authorized auditing standards, and is eager to build a positive relationship with them. The committee is also in charge of supervising the operation of internal control and making recommendations for improving its effectiveness.

Nominations and Remuneration Committee (Article 59 of Decision No. 3/ R.M of 2020, as amended):
The Board of Directors forms a permanent committee called the Nominations and Remuneration Committee. All members of this committee must have the appropriate experience and competence. The committee shall hold its meeting at least once a year or whenever necessary. This committee helps the Board of Directors carry out its responsibilities with regard to the qualifications, wages, appointment and replacement of senior management employees. It also supervises the nomination process for membership in the Board of Directors and sets the membership nomination policy of the Board of Directors. The committee aims to take into account gender diversity within the formation and encourage women through incentives and training benefits and programs, and to provide the Authority with a copy of this policy and any amendments thereto. It prepares the policy for granting rewards, benefits, incentives and salaries to members of the company's board of directors and employees, and reviews it annually. The committee must verify that the rewards and benefits granted to senior executive management are reasonable and commensurate with the company's long-term performance. Additionally, it must review the structure of the Board of Directors and recommend changes that can be made, while ensuring that there is an appropriate and updated plan for the succession of authority to the company's senior executives and the chairs of the Board committees in accordance with Federal Law No. (32) of 2021, as amended, Chairman of SCA Board of Directors' Decision No. (3/ R.M) of 2020 concerning Approval of Joint Stock Companies Governance Guide, and the Articles of Association of Companies, as amended from time to time. It also works persistently to ensure the independence of the independent members of the Board of Directors.

Executive Committee (Article 56 of Decision No. 3/ R.M of 2020, as amended):
The Board of Directors shall constitute a committee called the Executive Committee, whose functions shall be to assist the Board. The Executive Committee shall undertake the following tasks:

#1
Daily manage the company.

#2
Develop and implement the company strategy approved by the Control Committee.

#3
Implement risk management framework approved by the Control Committee.

A member of the Executive Committee shall be fully responsible for his duties, even if he delegates some of his powers to committees, individuals, or others. The majority of the members of the Executive Committee shall constitute a quorum for the meeting, and a member of the Committee may not be represented by proxy in meetings by any other member of the Executive Committee. Non-members of the Board of Directors may attend meetings under permission from the Chairman of the Executive Committee. The decisions of the Executive Committee shall be issued by a majority of the votes present. In the event of a tie, the Chairman shall have a casting vote. Executive Committee meetings are documented through minutes including the meeting details, in particular the attendees' names, deliberations, voting results, recommendations, and any reservations, if any. These minutes are signed by all attending members.

Insiders Committee "Insiders' Transactions Supervision and Follow-up Committee" (Article 33 of Decision No. 3/R.M of 2020):

The company's board of directors has issued written rules regarding the Transactions of the Company's board members and employees in securities issued by the company. It has formed a special committee, the Insiders' Transactions Supervision and Follow-up Committee, to manage, follow up, supervise and monitor the transactions of insiders and their properties and keep their record.

A special and comprehensive register has been prepared for all insiders, including people who may be considered temporary insiders and who have the right or access to view the Company's internal information before it is published. The register also includes prior and subsequent disclosures regarding insiders. The Authority and the Market are constantly advised of an updated list of insider names at the start of each fiscal year, as well as any changes made during the fiscal year.

Accumulated Losses Processing Follow-up Committee (Article 3 of Decision No. 3/R.M of 2020):
The Board of Directors discussed the percentage of accumulated losses recorded by the company and included it in its audited financial statements for the fiscal year ending on 31/12/2023. The percentage of accumulated losses to capital reached 49.08%. In accordance with Article No. 5 of Decision No. 32/R.T of 2019 on the Procedures Concerning Companies Whose Shares Are Listed in the Market and Whose Accumulated Losses reached 20% or more of their capital, a local public shareholding company whose accumulated losses reach 50% or more shall disclose to both the Authority and the Market a plan to address

the accumulated losses in accordance with the form prepared for this purpose by the Authority. The plan must, in particular, include a full analysis of the accumulated losses, their size, ratio to capital, causes, & procedures for processing them, as well as a timeframe for doing so, subject to any reservations or observations contained in third-party auditor's report.

The plan shall be approved by a party with technical and financial expertise and approved by the Authority within a period no more than (30) days from the date of disclosure of the interim or annual financial statements. The Company's Board of Directors shall form a committee called the (Accumulated Losses Processing Follow-up Committee), with a minimum of three members, including an independent board member and an experienced body certified by the Authority. This committee shall follow up the implementation of the plan, and submit a periodic report to the company's board of directors on the development of the plan's implementation and the results of implementation according to the timetable.

Accordingly, the Board of Directors formed a committee to follow up on the implementation of the loss treatment plan and prepare the plan. The committee, in turn, followed up on the implementation of the loss treatment plan, and reports on developments in the implementation of the plan were submitted to the Board of Directors, and the Securities and Commodities Authority was also provided with them periodically.

A statement of the ownership and transactions of Board Members, their spouses, and their children in the company's securities during the year 2023, according to the following table:

S. No.	NAME	Position / Relation	Owned as on 31/12/2023	Total Sale Process	Total Purchase Process
1.	Mohamed Fardan Ali Al Fardan	Chairman	23,000,000	-	-
2.	Amer Abdulaziz Hussain Khansaheb	Board Member and Managing Director	44,799,942	30,000,000	22,299,942
3.	Saif Bin Abdulaziz Bin Yagub Yousef Alserkal	Board Member	19,665	-	-
4.	Darwish Abdullah Darwish Ahmed Al-Ketbi	Board Member	3,000	-	-

Formation of the Board of Directors:

The company's current Board of Directors consists of seven members, including six independent, non-executive members, one executive member, and a female member in order to comply with the decision of the Chairman of the Securities and Commodities Authority Decision No. 3/R.M of 2020 on the necessity of nominating the female component on the Board of Directors, as is clear in the data below, which explains Formation of the company's Board of Directors as of 31/12/2023.

Mohamed Fardan Ali Al Fardan

Chairman

Mr. Mohammed Al Fardan was appointed as member of Board of Directors of Union Prosperities PJSC during the company's Annual General Assembly meeting held on April 17, 2023. Then, at the Board of Directors meeting held on April 28, 2023 the Board of Directors appointed Mr. Mohammed Al Fardan as Chairman of the Board of Directors.

Mr. Mohamed Al Fardan has a dynamic and self-motivated leadership with proven pathways of professional experience in dealing with property management, investment and hotel management for more than 19 years in the United Arab Emirates and the Middle East. Mr. Al-Fardan has contributed in setting strategic plans, promoting goals, and developing ideas that contributed to achieving growth and expansion in the field of business and real estate industries Mr. Al-Fardan holds a Bachelor's in Business Administration from Ajman University of Science and Technology

Mr. Mohamed Al Fardan has held various positions, including:

- General Manager of Al Fardan Properties
- Deputy Director of Al Fardan Holdings
- Partner of Carlton Hospitality Company
- Deputy Manager at The First Investor LLC
- Partner in Zahra Technology LLC
- Partner of Al-Fardan Investment Company Limited

Abdul Wahab Al-Halabi

Vice Chairman

Mr. Abdul Wahab Al-Halabi was appointed as a member of the Board of Directors of Union Prosperities PJSC during the company's Annual General Assembly meeting held on April 17, 2023. Then, at the Board of Directors meeting held on April 28, 2023 the Board of Directors appointed Mr. Mr. Abdul Wahab Al-Halabi as Vice Chairman of the Board of Directors.

Mr. Abdul Wahab Al Halabi is an entrepreneur, advisor and restructuring expert with expertise gained from over 25 years in executive management, restructuring, crisis & debt management, credit enhancements and joint ventures. Abdul Wahab Al Halabi is a board member of several companies such as a Board member of Abu Dhabi Islamic Bank, a Board member of Massaleh Investment, a Board member of TPL Properties limited, a Board member of Houlihan Lokey MEA Limited, and also a Director at Decker & Halabi DMCC.

Mr. Abdul Wahab Al Halabi holds an executive MBA from Ecole des Ponts ParisTech and a degree from the London School of Economics.

Eng. Amer Khansaheb

Board member & Managing Director, Union Properties PJSC
Director, Khansaheb Investment
Board Member, Bank of Sharjah

Eng. Amer Khansaheb is a visionary leader with a track record of achievement spanning several years. He is the Managing Director and Board Member of Union Properties PJSC (UP), one of the largest Real Estate development companies with prominent projects in the UAE. With UP's distinguished legacy in delivering premium landmark projects, Eng. Khansaheb spearheads the operations of the Company and its diverse subsidiaries and communities, including MotorCity, Dubai Autodrome, ServeU, EDACOM, The Fitout, GMAMCO, and Uptown Mirdiff.

In addition to his pivotal role at UP, Khansaheb also serves as the Director of Khansaheb Investment, one of UAE's longest-standing family-owned business Group. Under his visionary leadership since 2012, Khansaheb Investment has emerged as a market leader, propelled by strategic expansion initiatives and a steadfast commitment to excellence.

His experience spans several industries, including Real Estate development, construction management, investment management, and financial analysis. He also serves on the board of the Bank of Sharjah. As a Chartered Financial Analyst (CFA charter holder since 2010), he has extensive knowledge of the sector, as well as a rigorous analytical mind. From 2013 until 2019, he served in a volunteering capacity as the president of the CFA Society Emirates.

He earned a Bachelor of Science in Civil and Environmental Engineering from the American University of Beirut following which he pursued a Master of Science in Project Management from the British University of Dubai.

Mr. Darwish Abdulla Ahmed Al Ketbi

Board Member

Mr. Darwish Al Ketbi was appointed as a member of the Board of Directors of Union Properties PJSC at the company's Annual General Assembly Meeting held on April 17, 2023.

Mr. Darwish Al Ketbi has stock market surveillance experience with in-depth knowledge of alternative investments, structured products, and sophisticated trading strategies.

Mr. Al Ketbi holds a science bachelor's degree in Business Administration, Finance major, and a Bloomberg Education Certificate. He currently holds several positions: a member of the Board of Directors of Darwish Cybertech India Private Limited, and the Investment and Portfolio Manager at Darwish Bin Ahmed & Sons

Mr. Saif Al Serkal

Board Member

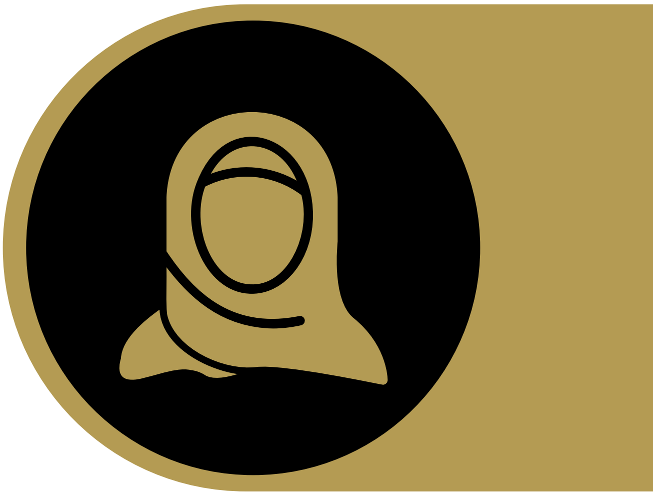
Mr. Saif Al Serkal was appointed as a member of the Board of Directors of Union Properties PJSC at the company's Annual General Assembly Meeting held on April 17, 2023.

Mr. Saif graduated with a finance degree from California State University, he joined PWC in the year 2010 to 2013, he worked on mergers of banks in the GCC, and have advised on bond ratings and acquisitions in the region.

Post that he have joined Sheikh Hamadan bin Mohammed Heritage Center as an internal audit manager, worked on installing an audit system, enhanced the payments and receivables system, and managed all the expenses of his highness championships, in 2017 he have joined Al Mal Capital, worked in direct investments, managed to work on real estate deal, also he worked on floating the first REIT in DFM. Mr. Al Serkal is the Head of business development in Al Mal Capital and worked on investments in technology companies in the United States along with investments in the real estate sector in the United States as well.

Ms. Afaf Al Kontar

Board Member



Ms. Afaf Al Kontar was appointed as a member of the Board of Directors of Union Properties PJSC at the company's Annual General Assembly Meeting held on April 17, 2023.

Ms. Afaf Al Kontar holds a bachelor's degree in Business Administration, she is a highly experienced and accomplished modernized HR professional, she has made a significant impact as the Chief Human Resources Officer at Darwish Bin Ahmed and Sons Group. She has displayed exceptional leadership skills while managing the HR, PR, and Administration function for a vast and diverse workforce of 6500+ employees across multiple locations in UAE, Saudi Arabia, and Oman. She has over 10 years of expertise in Sales and Operations management, Supply Chain management, and Business Development. Her impressive track record includes driving revenue growth, increasing operational efficiency, and expanding product portfolios to enter new markets. She is skilled in managing exclusive dealership of MAN truck and bus in the UAE market, as well as handling sales divisions of various equipment related to Construction, Oil & Gas field, Power Generation, Marine, and Material Handling/Logistics industry.

With excellent leadership skills, she has built and led high-performing teams, fostered a culture of innovation, collaboration, and accountability, and established strategic partnerships with suppliers and vendors to improve supply chain and product quality.

Abdulrahman Sharaf

Board Member

Mr. Abdulrahman Sharaf was appointed as a member of the Board of Directors of Union Properties PJSC by a Board of Directors decision taken by circulation on August 2, 2023, to complete the tenure of the resigned member.

Abdulrahman Sharaf has more than 15 years of practical experience in the capital markets sector in the United Arab Emirates, where he began his career working at Dubai Financial Market and then moved to work at Securities and Commodities Authority - the supervisory and regulatory body for the capital markets sector in the mainland in UAE.

During his time at SCA, he served as the Head of Capital Market Intermediaries Supervision Section and later as the Head of Anti-Money Laundering & Terrorist Financing Section. He also worked at Capital Market Authority of Saudi Arabia as a secondee.

Currently, Abdulrahman Sharaf is serving as AML Advisor at Ministry of Economy.

Abdul Rahman Sharaf holds a Bachelor's degree in Accounting from the Higher Colleges of Technology in Dubai with distinction and is a graduate of the United Arab Emirates Government Leadership Program.

Abdul Rahman Sharaf is a registered accounting and securities expert with the Federal Courts of UAE, Dubai Courts and Abu Dhabi Judicial Courts.

Abdulrahman Sharaf is a certified auditor with the Ministry of Economy and a fellow of the Emirates Association of Accountants and Auditors and a Certified Compliance Officer by ICA.

A statement of the percentage of female representation on the Board of Directors for 2023 (in the event of no representation, please state that there is no representation).

During the annual general assembly meeting held on April 17, 2023, Mrs. Afaf Al Kontar was elected as a member of the company's Board of Directors.

1. **A statement of the rewards, allowances and fees received by members of the Board of Directors:**

- Total remuneration for board members paid for the year 2022.

BOARD MEMBERS	Fees proposed for each member
Mohamed Fardan Ali Al Fardan	**AED 200,000**
Abdul Wahab Al-Halabi	**AED 200,000**
Amer Abdulaziz Hussain Khansaheb	**AED 200,000**
Faras Abdul Kareem Ismail Hasan Al Ramahi	**AED 200,000**
Darwish Abdullah Darwish Ahmed Al-Ketbi	**AED 200,000**
Saif Bin Abdulaziz Bin Yagub Yousef Alserkal	**AED 200,000**
Abeer bin Haider	**AED 200,000**
TOTAL	**AED 1,400,000**

2. **The total proposed remuneration for Board Members for the year 2023, which will be presented at the annual general assembly meeting for approval.**

It was proposed to pay fees to members of the company's Board of Directors in view of the efforts made, and the clause approving a proposal regarding fees for Board Members and specifying them was included in the agenda of the company's annual general assembly in order to approve it.

BOARD MEMBERS	Fees proposed for each member
Mohamed Fardan Ali Al Fardan	**AED 200,000**
Abdul Wahab Al-Halabi	**AED 200,000**
Amer Abdulaziz Hussain Khansaheb	**AED 200,000**
Darwish Abdullah Darwish Ahmed Al-Ketbi	**AED 200,000**
Saif Bin Abdulaziz Bin Yagub Yousef Alserkal	**AED 200,000**
Afaf Al Kontar	**AED 200,000**
Abdul Rahman Sharaf	**AED 200,000**
TOTAL	**AED 1,400,000**

3. **Statement of details of the allowances for attending the sessions of the committees of the Board of Directors received for 2023.**

NA

4. **Details of the additional allowances, salaries, or fees received by Board Member, other than committee attendance allowances, and their reasons.**

NA

The number of Board of Directors meetings held during the fiscal year 2023, indicating the dates they were held, and the number of times all members attended in person, with a statement of the members attending by proxy (the names of the Board Members must match what is mentioned in Clause (3A) above).

S. No.	Meeting Date	No. of attendees	No. of attendees by proxy	Absent Members Name
1.	10/03/2023	6 members out of a total of 7 as follows: • Mohamed Al Fardan • Amer Khansaheb • Darwish Al Ketbi • Faras Al Ramahi • Saif Alserkal • Abeer Bin Haider	N/A	Abdul Wahab Al-Halabi
2.	28/04/2023	7 members out of a total of 7 as follows: • Mohamed Al Fardan • Abdul Wahab Al Halabi • Amer Khansaheb • Darwish Al Ketbi • Faras Al Ramahi • Saif Alserkal • Afaf Al Kontar	N/A	N/A
3.	05/06/2023	7 members out of a total of 7 as follows: • Mohamed Al Fardan • Abdul Wahab Al-Halabi • Amer Khansaheb • Darwish Al Ketbi • Faras Al Ramahi • Saif Alserkal • Afaf Al Kontar	N/A	N/A
4.	26/07/2023	6 members out of a total of 7 as follows: • Mohamed Al Fardan • Abdul Wahab Al-Halabi • Amer Khansaheb • Darwish Al Ketbi • Saif Alserkal • Afaf Al Kontar	N/A	N/A

5.	05/11/2023	7 members out of a total of 7 as follows: • Mohamed Al Fardan • Abdul Wahab Al Halabi • Amer Khansaheb • Darwish Al Ketbi • Saif Alserkal • Afaf Al Kontar • Abdul Rahman Sharaf	N/A	N/A

The number of Board of Directors decisions issued by circulation during the fiscal year 2023, indicating their dates.

The Board of Directors took four decisions by passing on:

1. 09/05/2023
2. 02/08/2023
3. 24/08/2023
4. 21/12/2023

Board Committees

Audit Committee:

1. An acknowledgment from the Chairman of the Audit Committee of his responsibility for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness.

   Mr. Abdul Rahman Sharaf, Chairman of the Audit Committee, acknowledges his responsibility for the committee's system in the company and for reviewing its work mechanism and ensuring its effectiveness."

2. Names of the members of the Audit Committee, and a statement of its powers and tasks assigned to it.

   From April 28, 2023
   Mr. Faras Al Ramahi (Chairman of the Committee)
   Mr. Abdul Wahab Al-Halabi (Member)
   Mr. Darwish Al Ketbi (Member)

   The Board Members took decisions by passing on 24/08/2023

   To reform the Audit Committee, the committee was reformed with the following members:

   From August 24, 2023
   Mr. Abdul Rahman Sharaf (Committee Chairman)
   Mr. Abdul Wahab Al-Halabi (Member)
   Mr. Darwish Al Ketbi (Member)

The number of meetings held by the Audit Committee during 2023 and the dates thereof to discuss issues related to the financial statements and any other matters, and a statement of the number of times members appear in person at the meetings held.

S. No.		Mr. Abdul Wahab Al Halabi	Mr. Darwish Al Ketbi	Mr. Faras Alramahi	Mr. Abdul Rahman Sharaf
1.	First Audit Committee meeting held on 09/03/2023	Attended	Attended	Attended	
2.	Second Audit Committee meeting held on 05/05/2023	Attended	Attended	Attended	
3.	Third Audit Committee meeting held on 16/05/2023	Attended	Attended	Attended	
4.	Fourth Audit Committee meeting held on 24/07/2023	Attended	Attended		
5.	Fifth Audit Committee meeting held on 19/09/2023	Attended	Attended		Attended
6.	Sixth Audit Committee meeting held on 01/11/2023	Attended	Attended		Attended

Duties of the Audit Committee

1. Review the company financial and accounting policies and procedures.

2. Monitor and review the integrity of the Company financial statements and reports (annual, semi-annual, and quarterly) and its control regulation as part of its normal operation during the year. It shall concentrate on the following:
   - Any changes in accounting policies and practices.
   - Highlighting of the aspects subject to the management discretion.
   - Ensure that the company annually updates its policies, procedures, and control systems.
   - Substantive amendments resulting from the audit.
   - Assumption of business continuity.
   - Compliance with the accounting standards established by the Authority.
   - Compliance with listing and disclosure rules and other legal requirements related to financial reporting.

3. Coordinate with the company Board, senior executive administration, the financial manager or the manager delegated with the same duties in the company, in order to perform its duties.

4. Reviewing any important and unusual items that should be included in reports and accounts, and Off- balance sheet items). Giving due attention to any matters raised by the financial manager, the manager with similar responsibilities, compliance officer, or the auditor.

5. Raise recommendations to the Board regarding the selection, resignation, or dismissal of the auditor. In case the Board does not approve the Audit Committee recommendations in this regard, the Board shall attach to the governance report a statement explaining the Audit Committee recommendations and the reasons why the Board has not followed them.

6. Develop and implement the policy of contracting the auditor, & submit a report to the Board, outlining the issues that deems necessary to be taken, along with providing recommendations for steps to be taken.

7. Ensure that the auditor meets the conditions stated in the applicable laws, regulations and decisions and in the company articles of association, along with following up and monitoring its independence.

8. Meet the auditor of the company without presence of any of the senior executive management personnel or its representatives & discuss the same with regard to the nature and scope of the audit process and its effectiveness in accordance with the audited standards.

9. Approve any additional works made by an external auditor for the company and the fees received in consideration for that works.

10. Examine all matters related to the auditor work, his work plan, correspondence with the company, his observations, suggestions and reservations, and any substantial queries raised by the auditor to the senior executive management regarding the accounting records, financial accounts or control systems, in addition to following up the response of the company management and provision of the necessary facilities to do his work.

11. Ensuring that the Board of Directors and executive management respond promptly to essential queries raised in the auditor's letter.

12. Review and evaluate the company internal auditing and risk management systems.

13. Discuss the internal auditing system with the Board, and make sure it performs its duty with regard to establishing an effective internal control system.

14. Consider the results of the main investigations regarding the internal auditing matters assigned to it by the Board or at the initiative of the Committee and the approval of the Board.

15. Review the auditor evaluation of the internal control procedures and ensure that there is coordination between the internal and external auditors.

16. Ensure of the availability of necessary resources for the internal auditing department, review and monitor the effectiveness of such department.

17. Examine internal auditing reports and follow up implementation of corrective actions of the observations contained therein.

18. Establishing controls enabling employees and stakeholders to report potential violations in financial reports, internal audits, or other matters confidentially. Implementing procedures to conduct independent and fair investigations into such violations, with adequate measures to protect whistleblowers and closely monitoring their execution.

19. Monitor the company compliance with the rules of professional conduct.

20. Review related party transactions with the Company, ensure that there are no conflicts of interest and raise recommendations about them to the Board before concluding them.

21. Ensure the application of the business rules of its functions and the powers entrusted to it by the Board.

22. Submit reports and recommendations to the Board on the above matters mentioned in this Article.

23. Consider any other matters determined by the Board.

Nominations and Remuneration Committee:

1. An acknowledgment from the Chairman of the Nominations and Remuneration Committee of his responsibility for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness.

   Mr. Saif Bin Abdulaziz Alserkal, Chairman of the Nominations and Remuneration Committee, acknowledges his responsibility for the committee's system in the company and for reviewing its work mechanism and ensuring its effectiveness.

2. Names of the members of the Nominations and Remuneration Committee, and a statement of their powers and tasks assigned to them.

   From April 28, 2023
   Mrs. Afaf Al-Kontar (Chairman of the Committee)
   Mr. Saif Alserkal (Member)
   Mr. Darwish Al Ketbi (Member)

   On 24/08/2023, the Board Members took decisions by passing.

   To reform the Nominations and Remuneration Committee, the committee was reformed from the following members and they elected the Chairman as follows:

   From August 24, 2023
   Mr. Saif Alserkal (Chairman of the Committee)
   Mr. Abdul Wahab Al-Halabi (Member)
   Mr. Darwish Al Ketbi (Member)

A statement of Nominations and Remuneration Committee's powers, responsibilities, duties and bonuses

Developing a policy for nominations for membership in the Board of Directors and Executive Management that aims to take into account gender diversification within the composition and encouraging women through incentives and training benefits and programmers, and providing the Authority with a copy of this policy and any amendments thereto,

1. To organize and follow up on the procedures for nomination for membership in the Board of Directors as per the applicable laws and regulations and the provisions of this decision.

2. To verify the continued fulfillment of membership requirements for Board Members on an annual basis.

3. To ensure the independence of individual members on an ongoing basis

4. If it becomes clear to the committee that one of the members has lost on the independence condition, it shall present the matter to the board so that it can notify the member by registered letter at his fixed address with the company of the justifications for his lack of independence. The member shall hereby respond to the board of directors within fifteen days from the date of his notification, and the board of directors shall issue a decision to consider the member independent or non-independent at the first meeting following the member's response or the expiration of the period referred to in the previous paragraph without a response.

5. Taking into account Article 145 of the Companies Law, if the Board of Directors' decision regarding the absence of reasons or justifications for the member's independence would affect the minimum percentage that must be available from its independent members, the Board of Directors shall appoint an independent member to replace this member if the latter submits his resignation due to the absence of The status of independence from him, and in the event that the member refuses to submit his resignation, the Board of Directors must present the matter to the General Assembly to take a decision to approve the appointment of another member in his place or to open the door for nominations to elect a new member.

6. To prepare the policy for granting rewards, benefits, incentives and salaries to members of the company's Board of Directors and its employees, and review it annually. The committee must verify that the rewards and benefits granted to the senior executive management are reasonable and commensurate with the company's performance.

7. To ensure that rewards and bonuses, including options and other deferred rewards and benefits offered to senior executive management, are linked to the company's performance in the medium and long term.

8. To conduct an annual review of the required skills requirements suitable for membership in the Board of Directors and prepare a description of the capabilities and qualifications required for membership in the Board of Directors, including specifying the time that a member must devote to the work of the Board of Directors.

9. To review the structure of the Board of Directors and make recommendations regarding changes that can be made.

10. To determine the company's needs for rewards at the level of senior executive management and employees and the basis for their selection.

11. To prepare the company's human resources and training policy, monitor its implementation, and review it annually.

A statement of the number of meetings held by the committee during 2023 and the dates of their holding, indicating the number of times all members of the committee attended in person.

Members in Attendance						
S. No.		Mr. Saif Bin Abdulaziz Alserkal	Ms. Afaf Al-Kontar	Mr. Darwish Al-Ketbi	Mr. Faras Al Ramahi	Mr. Abdul Wahab Al Halabi
1.	1st Meeting held on 13/04/2023	Attended		Attended	Attended	
2.	2nd Meeting held on 09/05/2023	Attended	Attended	Attended		

A committee for following up and supervising the transactions of interested persons

Committee chairman acknowledgement of his responsibility for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness.

"Mr. Rui Coelho, head of Insiders' Transactions Supervision and Follow-up Committee his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness."

Names of the members of Insiders' Transactions Supervision and Follow-up Committee, and a statement of its powers and tasks assigned hereto.

Chief Financial Officer: Mr. Rui Coelho (Committee Chairman)
Chief Legal Officer Mr. Fadi Saba (Member)
Managing Director: Mr. Amer Khansaheb (Member)

The Board members decided, at their meeting held on July 26, 2023, to reconstitute a committee to follow up and supervise the transactions of interested persons. The committee was reconstituted from the following members:

- Chief Financial Officer: Mr. Rui Coelho (Committee Chairman)
- Deputy Chief Legal Officer: Mrs. Nadra Taher (Member)
- Managing Director: Mr. Amer Khansaheb (Member)

A summary of the committee's work report during the year 2023

The Board Members decided, in their meeting held on October 31, 2022, to form a committee to supervise and follow up on insiders' transactions. Its function was determined, the committee's charter was approved, and the list of insiders was updated. The Authority and the Dubai Financial Market were provided with the updated list, and the company is committed periodically to providing the financial market with the updated list in If any amendment occurred on a regular basis, the committee was formed, which carried out the following tasks:

- Prepare a private and comprehensive register of all insiders, including people who may be considered insiders and who are entitled or have access to the company's internal information before publication. The record should also include prior and subsequent disclosures of insiders.

- The list was circulated to insiders and the trading controls stipulated in accordance with the Chairman of Authority's Board of Directors' Decision no. (3/R.M) of 2020 concerning Approval of Joint Stock Companies Governance Guide and its amendments.

- The committee periodically monitors and supervises the trading of insiders and their ownership and maintains a special record of them.

- The Dubai Financial Market was notified of an updated list of insiders at the beginning of the financial year and any amendments to it during the year

Executive Committee:

The committee chairman acknowledgement of his responsibility for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness

Mr. Abdul Wahab Al-Halabi, Chairman of the Executive Committee, acknowledges his responsibility for the committee system in the company and for reviewing its work mechanism and ensuring its effectiveness."

Names of the committee members, their terms of reference and the tasks assigned them.

- Mr. Abdul Wahab Al-Halabi - (Chairman of the Committee)
- Mr. Saif Alserkal - (Committee Member)
- Mr. Amer Khansaheb- (Committee Member)
- Mr. Rui Coelho - (Committee Member)
- Mr. Fadi Saba - (Committee Member)

Statement of its terms of reference and tasks assigned to it

Purpose

- Assisting the company's Board of Directors in performing its oversight responsibilities
- Acting on behalf of the Board of Directors and recommending their findings
- Ensuring coordination of business activities between Council committees
- Serving as a platform to represent the Chairman of the Board in the general management of the company's business and affairs
- Making decisions that are submitted to the Council based on the level of delegated powers

Powers

- The Executive Committee acts as an advisor to the Board of Directors and reviews, evaluates and makes recommendations to the BOD regarding various matters presented to the Board.
- The committee is charged with reviewing and submitting recommendations to the Board regarding the issues presented to it, even if they are beyond the level of the powers delegated to it.
- The Executive Committee may appoint legal advisors and others to assist the Committee in carrying out its tasks. These advisors may be the company's regularly approved advisors.
- All recommendations submitted to the Board of Directors must be made by a simple majority. The casting vote in the event of a tie will be the vote of the Chairman of the Executive Committee.

Responsibilities: The committee's responsibilities include the following:

- Submitting evaluations and recommendations to the Board of Directors regarding the annual review plan in addition to the company's strategy and schedule of activities,
- Holding periodic meetings with other committees in separate executive sessions to discuss any issues that the committee or other committees believe should be discussed in private,
- Reviewing management reports on business progress and submitting recommendations to the Board of Directors.
- Supervising investment and credit policies, making decisions within the limits of the powers entrusted to it, and submitting recommendations to the Council on matters that exceed the limits of the powers entrusted to the committee.
- Initial review of the company's periodic reports and submission of recommendations to the Board of Directors (copies of the complete reports are submitted to the Board and discussed at the Board meeting).
- Reviewing and submitting recommendations to the Board of Directors regarding acquisitions, liquidations, and other operational activities of the company.
- Review and submit recommendations to the Board of Directors regarding opening new branches, closing current branches, appointing managers and granting them the powers.
- Review, amend and make recommendations regarding policies directed by the Council to be presented to the Council through the Committee.

A statement of the number of meetings held by the committee during 2023 and the dates of their holding, indicating the number of times all members of the committee attended in person

S. No.		Mr. Abdul Wahab Al Halabi	Mr. Fadi Saba	Mr. Rui Coelho	Mr. Saif Bin Abdulaziz Alserkal	Mr. Amer Khansaheb
1.	1st meeting held on 25/07/2023	Attended	Attended	Attended	Absent	Attended
2.	2nd meeting held on 04/10/2023	Attended	Attended	Attended	Attended	Attended

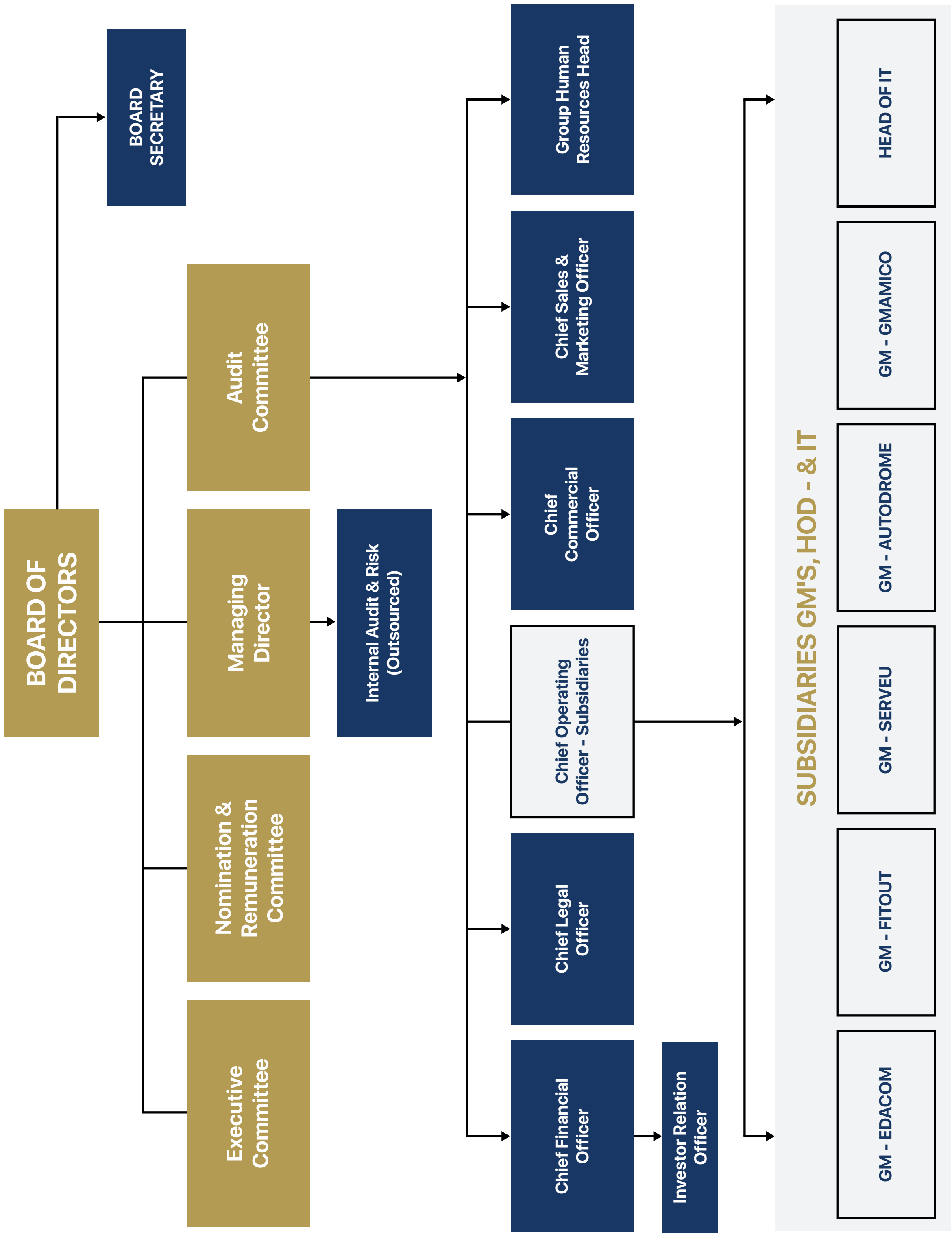
A statement of the duties and powers of the Board of Directors carried out by a member of the Board or the Executive Management during the year 2023 based on a delegation from the Board, specifying the duration and validity of the delegation according to the following table:

S. No.	Delegated Person Name	Authorization Power	Duration
1.	Mr. Amer Abdulaziz Khansaheb	Board Members and the Managing Director, acts on behalf of the company and represents it in all financial, legal, operational and administrative matters. He is the authorized signatory on behalf of the company and its subsidiaries in accordance with the legal power of attorney granted to him by the company's Board of Directors.	Expires on 30/05/2026

A statement of details of transactions carried out with relevant parties (stakeholders) during the year 2023, including as follows:

NA

The complete organizational structure of the company, provided that it shows the managing director, general manager, CEO, deputy general manager, & managers working in the company, such as the financial director.



A detailed statement of the senior executive employees in the first and second ranks, according to what was stated in the company's organizational structure (according to 3-D), their jobs and the dates of their appointment, along with a statement of total salaries & bonuses paid to them, according to the following table:

	Position	Appointment Date	Total salaries & allowances paid for 2023 (AED)	Total Bonuses paid for 2023 (AED)	Any other cash/in-kind rewards for 2023 or due in the future
1.	Chief Operation Officer	01/02/2023	359,349	-	-
2.	Chief Commercial Officer	18/09/2023	321,205	-	-
3.	Chief Financial Officer	21/02/2022	976,500	-	-
4.	Chief Legal Officer	10/02/2022	912,900	-	-
5.	Chief Sales & Marketing	02/01/2023	961,901	-	-
6.	Head Of Information Technology department	07/03/2022	369,950	-	-
7.	Human Resources Director	01/07/2022	460,700	-	-
8.	Head of Procurement department	06/09/2020	578,000	-	-

External Auditor:

1. **Providing an overview of the company's auditor to shareholders**

   Grant Thornton International Ltd (GTIL) is a private company limited by guarantee, incorporated in England and Wales. It is an umbrella organization that delivers services by Grant Thornton member companies around the world. GTIL and the member companies are collectively referred to as Grant Thornton. In the UAE, the company is managed by Mr. Farouk Mohammed - Chairman, Hisham Farouk - CEO and the leadership team that it is composed of leaders from all areas of service. The leadership team meets to discuss strategic, operational and financial development, always keeping its customers and employees at the forefront.

2. **A statement of fees and costs for the audit or services provided by the external auditor, according to the following table:**

Audit Office Name	Grant Thornton International Ltd
Partner Auditor Name	Dr. Osama Al Bakry
No. of years he spent as the company's external auditor	2
No. of years the partner auditor spent auditing the company's accounts	2
Total value of audit fees for 2023 (AED)	**AED 746,000**
Details and nature of other services provided by the company's auditor (if any). In the event that there are no other services, this will be explicitly mentioned.	-
The value of fees and costs for other special services other than auditing the financial statements for the year 2023 (AED), if any. In the event that there are no other fees, this is explicitly mentioned	-
A statement of other services that an external auditor other than the company's auditor provided during 2023 (if any). In the event that there are no services provided by another external auditor, this will be explicitly mentioned	-

A statement explaining the reservations that the company's auditor included in the interim and annual financial statements for 2023. In the absence of any reservations, this must be stated explicitly.

- There was no reservation by the auditors in the unaudited interim consolidated financial statements for the Q1, Q3 and the year end 31 December 2023.

- In the unaudited interim condensed consolidated financial statements for the second quarter ending June 30, 2023, our auditor reached qualified conclusion about the loss resulting from Union Real Estate Group's investment an associate, which was reported in those financial statements based on associate's accounting records.

Internal Control System

1. **An acknowledgment by the Board of its responsibility for the company's Internal Control System and for reviewing its work mechanism and ensuring its effectiveness**

The Board of Directors acknowledges its responsibility towards the application, review and effectiveness of the internal control system by maintaining an effective and strong internal control mechanism. The Board of Directors has committed itself to promoting and disseminating best practices in risk management and the proper application of governance rules and verifying the compliance of the company and its employees with the laws, regulations and decisions on which its operations are based, as well as with internal procedures and policies and reviewing the financial statements that are sent to the company's supreme management, its investors, and all shareholders in general.

2. **Director's name, qualifications and date of appointment of the Standard Mentors Auditing and Assurance was appointed in 2022 and renewed in 2023**

3. **Compliance Officer's name, qualifications and date of appointment.**

   The company is currently completing the procedures for appointing a highly qualified compliance officer to ensure the continuation of the functional process to its fullest.

4. **The way by which the Internal Control Department deals with any major problems in the company or those disclosed in the annual reports and accounts (in the absence of major problems, it must be stated that the company has not faced any problems)**

   Upon identifying a high-risk issue by the Internal Audit Department, the same matter is escalated to the Audit Committee of Union Properties Company for submission to the Company's Board of Directors in order to take the necessary action and settle the matter immediately.

Details of violations committed during 2023, their reasons thereof, and how to address them & avoid their recurrence in the future

According to the company's records, the company was notified of a violation during the year 2023 by the Securities and Commodities Authority, which is the violation of non-compliance with the disclosure of the interim financial statements for the first quarter of the year, and where it was found that the company did not disclose the interim financial statements during the legal period specified for the first quarter of the year 2023 through the XBRL system.

Statement of the cash and in-kind contributions made by the company during 2023 to the development of the local community and the preservation of the environment. (In the event that there are no contributions, shall state that the company has not made any contributions).

In February 2023, as a group we actively supported earthquake relief efforts in Syria and Turkey. Donation boxes were placed in Union Properties offices from February 20th to 27th, 2023. Staff generously contributed clothing, blankets, hygiene items, and more. UP sorted and distributed donations to ensure they reached those in need, reflecting our commitment to social responsibility.

In line with the company's commitment to social responsibility and environmental stewardship, we and all our subsidiary companies actively participated in a beach clean-up initiative organized by the Dubai Municipality. This commendable event took place at Secret Beach on the 10th of March 2023, with our dedicated team enthusiastically joining hands for the cause.

THE FITOUT (UP Subsidiary) demonstrates its commitment to employee welfare through initiatives like the Mental Health and Wellbeing seminar. Recognizing the challenges faced by employees, especially those distant from their families, this seminar provided essential support and coping strategies for everyday stressors. This initiative underscores THE FITOUT's dedication to the holistic health and safety of its workforce, prioritizing mental well-being alongside physical health.

Embracing the spirit of Ramadan, Union Properties and its subsidiaries hosted a series of Iftar events, underscoring our commitment to community engagement and cultural respect. These gatherings were not just about sharing a meal; they served as a platform for strengthening bonds among our employees, clients, & the broader corporate community.

Throughout the holy month, these Iftars provided an opportunity for team members across various levels, clients, & stakeholders to come together in a setting that celebrated cultural diversity & mutual respect. By facilitating these inclusive events, we aimed to foster a sense of belonging & unity, essential components of our corporate culture. These gatherings also allowed us to show appreciation to our clients & team members, reinforcing the strong relationships that are vital to our success.

In a collaborative effort with Dubai Police, UP hosted a vibrant 'Back to School' event at our Uptown Mirdif Mall, creating a fun-filled and engaging experience for the community. Families and children gathered at Uptown Mirdif Mall to celebrate the start of a new school year.

Landscaping Improvements

EDACOM, understand the importance of fostering a sense of community well-being and tranquillity. In 2023, in conjunction with ServeU's dedicated landscaping team they embarked on a mission to revitalize MotorCity's green spaces. The results have been nothing short of remarkable. They introduced new plants, trees, and optimized layouts, creating a more enjoyable and relaxing atmosphere for our residents. These improvements offer residents the opportunity to connect with nature, engage in outdoor activities, and unwind amidst the serene beauty of MotorCity. The enhanced landscaping not only promotes social well-being but also significantly contributes to the aesthetic appeal of our community.

General Information

A statement of the company's share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2022.

End of Month	Highest Pricet	Lowest Price	Closing Price
Jan 2023	0.29	0.258	0.273
Feb 2023	0.277	0.236	0.237
March 2023	0.240	0.205	0.231
April 2023	0.284	0.220	0.259
May 2023	0.305	0.258	0.274
June 2023	0.350	0.269	0.335
July 2023	0.468	0.330	0.408
August 2023	0.433	0.375	0.406
September 2023	0.416	0.385	0.387
October 2023	0.424	0.312	0.330
November 2023	0.354	0.312	0.312
December 2023	0.313	0.272	0.290

A statement of the shareholder ownership distribution as of 31/12/2023 (individuals, companies, governments) classified as follows:

The following: local, Gulf, Arab, and foreign

Sr.	Shareholder Category	Owned Shares Percentage			
		Individuals	Corporate	Government	Total
1.	**National**	63.6998	16.9439	0.0073	80.6510
2.	**Arab**	12.8642	1.9893	0.0000	14.8535
3.	**Foreign**	3.0649	1.4305	0.0000	4.4954
4.	**TOTAL**	79.6289	20.3637	0.0073	100%

A statement of shareholders who own 5% or more of the company's capital as of 31/12/2023 according to the following table:

S. No.	Name	No. of Owned Shares	Percentage of shares owned in the company's capital
1.	SALEM ABDULLA SALEM ALHOSANI	220,000,000	5,1288%

A statement of how shareholders are distributed according to the ownership size as of 31/12/2023 according to the following table

S. No.	Shares Ownership (shares)	No. of Shareholder	No. of Owned Shares	Percentage of shares owned by capital
1.	Less than 50,000	6,102	83,152,098	1.939
2.	From 50,000 to less than 500,000	3,788	621,424,991	14.487
3.	From 50,000 to less than 500,000	1,094	1,440,790,436	33.589
4.	More than 5,000,000	122	2,144,172,609	49.986

A statement of the measures that have been taken regarding investor relations controls, indicating the following:-

The company's Investor Relations Department builds a close relationship between the company and the investor, in order to enhance confidence in the company.

Name of investor relations officer
Mrs. Batool Chreidi

Contact information with the Investor Relations Officer (email, phone, mobile, fax)

- **E-mail: ir@up.ae**
- **Mob: +971048066603**

The electronic link to the investor relations page on the company's website
https://up.ae/investor-relations

A statement of the special decisions that were presented in the General Assembly held during 2023 and the actions taken in their regard.

Considering the company's continuation of its activity or its dissolution before the specified period, and the shareholders approved by majority for the company's continuation of its activity.

Name of the BOD meetings rapporteur and the date of his appointment.

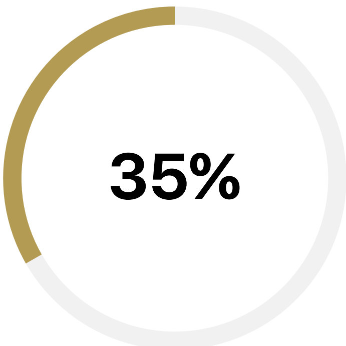
In line with the decision of the Chairman of the Authority (No. 03/R.M.) of 2020 regarding the adoption of the Governance Guide for Public Joint Stock Companies, Mrs. Manar Ibrahim was appointed as the company's Board Secretary during the Board of Directors meeting held on March 15, 2022 until June 5, 2023.

As of June 5, 2023, the Board Members appointed Mr. Fadi Saba as Board Secretary, as Mr. Fadi Saba is licensed as a secretary by government agencies and has extensive experience in the field of secretariat and in dealing with the Securities and Commodities Authority and Dubai Financial Market.

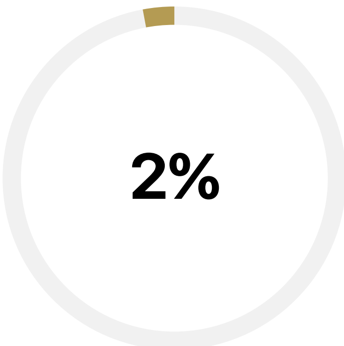
A detailed statement of the fundamental events and important disclosures that the company encountered during 2023

13/03/2023	Union Properties announces achieving profitability in 2022 thanks to the strategic recovery plan.
13/04/2023	As the developer of the Motor City area Union Properties has registered a real estate lawsuit with the Dubai Courts against Dubai land due to Dubai land's failure to issue no-objection certificates to the company.
11/07/2023	Union Properties Company has signed the settlement agreement with M/s. Khalifa Al-Hammadi, his family members and another.
08/08/2023	The latest developments related to the settlement agreement signed between the company, M/s. Khalifa Al Hammadi, his family members and others.
04/10/2023	Union Properties announces the start of implementation of the settlement agreement signed with the former Chairman

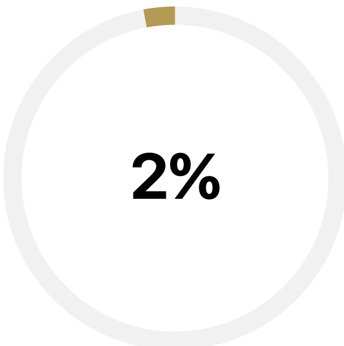
Statement of the company's Emiratization percentage by the end of the years 2021, 2022, and 2023:



Emiratization rate in 2021



Emiratization rate in 2022



Emiratization rate in 2023

A statement of the innovative projects and initiatives that the company has undertaken or is currently developing during the year 2023

1. **Collaboration with AGMC and Contribution to COP28**

   Partnering with AGMC, particularly during COP28, played a crucial role by utilizing their electric fleet for the transportation of VIP delegates at the 2023 United Climate Change Conference held in the UAE. This initiative was supported by the installation of 20 EV charging stations at Dubai Autodrome, powered by our 2.8 MWp solar power project. These stations catered to the e-mobility fleet of BMW cars during the conference, aligning with our goal of promoting sustainable practices.

   Post-COP28, these charging stations Nations continue to serve BMW AGMC customers, ensuring ongoing access to eco-friendly charging facilities. This enduring contribution signifies their commitment to long-term sustainable practices and the promotion of e-mobility in the region.

2. **Reduction in Electrical and Water Consumption**

   EDACOM's commitment to sustainability is evident in its successful reduction of electrical and water consumption. In 2023 alone, the company achieved a remarkable 29% reduction in emissions, equivalent to 14.7 million kilograms. Over a three-year span, EDACOM's efforts have cumulatively led to a remarkable reduction of 23.7 million kilograms of emissions, translating into a financial saving of AED 13.8 million.

3. **Introducing Our Robot Team**

   As part of their sustainability initiative, ServeU introduced a team of advanced cleaning robots at Abu Dhabi Airport. Leomop, known for its eco-friendly cleaning, offers 10 hours of operation, a 2-hour charging time, and silent operation. Rex, designed for large areas, covers up to 4000 sqm/hour, reduces water consumption by 48%, and boasts a 3D Lidar Range of 200 meters. LionsBot introduces mobile app management for up to 8 robots, providing real-time data on status, cleaning, and more. These robots enhance efficiency and sustainability at Terminal A, Abu Dhabi Airport, marking a significant step in our environmental efforts with plans for further expansion in 2024.

Chairman	Audit Committee Chairman	Nominations & Remuneration Committee Chairman
Signature	Signature	Signature
Date: 30 / 3 / 2024	Date: 30 / 3 / 2024	Date: 30 / 3 / 2024

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Union Properties PJSC
P.O. Box 24649, Dubai, UAE | Tel + 971 4 806 6666

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